

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI
	DATE November 14, 2022

ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 06-22

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
WORK OPPORTUNITY TAX CREDIT COORDINATORS

FROM: BRENT PARTON 
Acting Assistant Secretary

SUBJECT: Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2023

1. **Purpose.** To convey the Fiscal Year (FY) 2023 initial funding allotments for WOTC and the application requirements for State Workforce Agencies (SWA) based on funding appropriated through a continuing resolution (CR) through December 16, 2022.
2. **Action Requested.** Grantees must meet the application requirements detailed in section 4 within 30 calendar days from the date of this Training and Employment Guidance Letter (TEGL) issuance.
3. **Summary and Background.**
 - a. Summary – On September 30, 2022, the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023 (Pub. L. 117-180) was signed into law, providing a continuing resolution, which allows for incremental FY 2023 grant funding for states’ administration of WOTC, pro-rated based on the CR’s end date of December 16, 2022. The allotment for WOTC under this CR is \$3,900,335. Once Congress authorizes final appropriations for FY 2023, the Employment and Training Administration (ETA) will publish a change to this TEGL to announce the full year allotments and state balances. If applicable, ETA will also announce any additional funding appropriated to reduce processing backlogs and assist states in adopting or modernizing information technology for processing of certification requests. ETA requests that SWAs submit applications for funding as allotted in Attachment I to this TEGL.
 - b. Background – The WOTC is set forth under section 51 of the Internal Revenue Code of 1986, as amended (26 U.S.C. sec. 51), and is effective until December 31, 2025, under Consolidated Appropriations Act, 2021 (Pub. L. 116-260), Division EE, Title 1, Section 113. The U.S. Department of the Treasury, through the Internal Revenue Service (IRS), administers all tax-related provisions and requirements of the Federal tax credit. The

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U.S. Department of Labor, through the ETA, awards grants to states for administration of WOTC.

4. **Details.** States must enter the state allotment amount (provided in Attachment I) on their SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), as their request for FY 2023 funding.

Allotment Formula. ETA determines state allotments for normal WOTC operations according to the following methodology. After allocating \$20,000 to the Virgin Islands, ETA distributes the remaining funds to the SWAs by administrative formula with a \$66,000 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the previous year allotment percentage. The administrative formula is calculated as follows:

- a. 50 percent is based on each state's relative share of total WOTC certifications issued from October 1, 2021 through September 30, 2022;
- b. 30 percent is based on each state's relative share of the Civilian Labor Force averages for the 12-month period from October 1, 2021 through September 30, 2022; and
- c. 20 percent is based on each state's relative share of adult recipients of Temporary Assistance for Needy Families averages from October 1, 2020 through September 30, 2021.

Application Requirements for FY 2023 Funding. ETA requires grantees to submit an electronically signed copy of the SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), as their official request for funding opportunity number 'ETA-WOTC-TEGL-06-22-2023' at <https://www.grants.gov>, within 30 calendar days from the issuance date of this TEGL. The official, electronically signed SF-424 Form must reflect the amount listed in Attachment I as the state's requested estimated funding total in item #18, and the Catalog of Federal Domestic Assistance Number '17.271' for item #11, and the grantee's 12-character Unique Entity Identifier (UEI number) listed for item #8c.

Grantees should indicate the estimated amount of Indirect Costs to be claimed by the recipient for FY 2023, if any, as a sentence for item #15, Descriptive Title of Applicant's Project. Grantees may use the amount of indirect costs reported against their FY 2022 WOTC grant as an approximate for FY 2023 indirect cost expenditures. For example: "*Indirect Costs for this award are estimated at \$19,000.*" If there is no estimated Indirect Costs, the following statement, must be entered: "*Indirect Costs for this award are estimated at \$0.00.*"

Effective April 2022, the Dun and Bradstreet Data Universal Numbering System (DUNS) number was replaced by a new, non-proprietary identifier requested in and assigned by the System for Award Management ([SAM.gov](https://www.sam.gov)). This new identifier is called the Unique Entity Identifier (UEI), or the Entity ID. Each applicant must have a UEI number available, and it must be registered at <https://www.sam.gov>, before submitting an SF-424 application. To submit the required documents, applicants must follow the "Apply for Grants" link on [Grants.gov](https://www.grants.gov) and download the links for the grant application package. For this grant

opportunity, applicants should not follow the “Find Grants” link, as this is not a competitive funding opportunity. If applicants encounter a problem with [Grants.gov](https://www.grants.gov) and do not find an answer in any of the other available resources, they should call 1-800-518-4726 or 1-606-545-5035 to speak to a Customer Support Representative, or send an email to support@grants.gov.

Revised Award Descriptions. As part of a Federal government-wide effort to describe grant activities consistently and accurately, ETA is revising its standard grant award descriptions. States may see the following text in the grant award or in online descriptions of the WOTC grants:

- **Purpose:** The purpose of this grant is to allow SWAs to administer WOTC per ETA guidance and provisions of the IRS Code of 1986, Section 51, as amended. Law designates the SWAs as the only agencies that can issue a Certification (26 USC §51(d)(12)). That statute refers to SWAs as State employment security agencies, established in accordance with 29 U.S.C. 49.
- **Activities to be performed:** SWAs must use funds to implement the requirements set forth in the *WOTC Statement of Work*, including to: Designate a state coordinator who oversees the administration of WOTC for each state grant; Determine eligibility of individuals as members of targeted groups on a timely basis, and issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis, and in accordance with the policies and procedures set forth by ETA; and Establish and maintain appropriate forms’ quality review process, record keeping, and reporting capability related to the orderly management of WOTC certification requests.
- **Expected Outcomes:** For WOTC grants, SWAs will issue determinations (certifications or denials) for employers’ certification requests, which facilitate tax credits determined by the U.S. Department of the Treasury. SWAs will increase efficiency in processing employers’ certification requests and develop plans that include an estimated timeline to eliminate existing backlogs of certification requests.
- **Intended Beneficiaries:** Job seekers who have access to a higher number of employment opportunities, and employers who seek to increase hiring of qualified job applicants. Other beneficiaries include state and local partner agencies in the American Job Center network that coordinate efforts to promote WOTC to employers, job seekers, and other Workforce Innovation and Opportunity Act partners.
- **Subrecipient Activities:** SWAs, as WOTC grant recipients, do not typically subaward funds. States that wish to subaward funds should seek approval from their Grant Officer.

General Administration. With their FY 2023 grant award, SWAs are responsible for conducting the WOTC activities outlined in the *WOTC Statement of Work* (Attachment II). As noted above, this TEGP provides incremental funding proportional to funds appropriated through the December 16, 2022 Continuing Resolution; the timing and amount(s) of subsequent incremental funding depend on future appropriations.

Reporting Requirements.

- a) **Quarterly Financial Report** – SWAs must report fiscal expenditures quarterly using ETA Form 9130. Financial reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important to ensure proper accounting of funds.
- b) **Quarterly Performance Report** – SWAs must use the web-based Enterprise Business Support System (EBSS) Tax Credit Reporting System to report quarterly activities and outcomes using ETA Form 9058. Performance reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important for administration purposes.

5. **Inquiries.** Please direct inquiries to the appropriate Regional WOTC Coordinator listed on the WOTC website at <https://www.dol.gov/agencies/eta/wotc/contact/regional-offices>.

6. **References.**

- Section 51 of the Internal Revenue Code of 1986, as amended (<https://uscode.house.gov/view.xhtml?path=/prelim@title26/subtitleA/chapter1/subchapterA/part4/subpartF&edition=prelim>);
- Section 49 of Title 29 of the United States Code (Labor) ([https://uscode.house.gov/view.xhtml?req=\(title:29%20section:49%20edition:prelim\)](https://uscode.house.gov/view.xhtml?req=(title:29%20section:49%20edition:prelim)));
- Pub. L. 116-260, Consolidated Appropriations Act of 2021 (<https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf>); and
- Pub. L. 117-180, Continuing Appropriations and Ukraine Supplemental Appropriations Act of 2023 (<https://www.congress.gov/117/bills/hr6833/BILLS-117hr6833enr.pdf>).

7. **Attachment(s).**

- Attachment I: Work Opportunity Tax Credit Fiscal Year 2023 Initial State Allotments
- Attachment II: Work Opportunity Tax Credit Statement of Work

**Work Opportunity Tax Credit
FY 2023 Funding under Continuing Resolution**

Attachment I

State	CR #1 10/1/22 thru 12/16/22 (21.10%)
Total	\$3,900,335
Alabama	61,275
Alaska	13,926
Arizona	60,549
Arkansas	28,727
California	511,283
Colorado	66,496
Connecticut	31,842
Delaware	17,983
District of Columbia	13,926
Florida	175,155
Georgia	107,033
Hawaii	14,666
Idaho	16,602
Illinois	156,836
Indiana	60,690
Iowa	48,591
Kansas	25,831
Kentucky	78,593
Louisiana	63,967
Maine	14,478
Maryland	88,554
Massachusetts	84,512
Michigan	127,628
Minnesota	61,790
Mississippi	46,062
Missouri	84,094
Montana	13,926
Nebraska	29,623
Nevada	33,289
New Hampshire	13,926
New Jersey	71,295
New Mexico	34,324
New York	233,115
North Carolina	100,647
North Dakota	13,926
Ohio	147,859
Oklahoma	57,819
Oregon	57,851
Pennsylvania	157,829
Puerto Rico	16,370
Rhode Island	15,876
South Carolina	55,630
South Dakota	13,926
Tennessee	145,204
Texas	290,974
Utah	24,089
Vermont	13,926
Virginia	91,951
Washington	92,377
West Virginia	26,290
Wisconsin	69,058
Wyoming	13,926
Virgin Islands	4,220

Work Opportunity Tax Credit (WOTC)

Statement of Work

State Workforce Development Agencies, also known as State Workforce Agencies (SWA), must use funds for the Fiscal Year to conduct the following mandatory activities:

1. Adhere to Employment and Training Administration (ETA) guidance, and provisions of the Internal Revenue Code of 1986, Section 51, as amended, in administering the Work Opportunity Tax Credit (WOTC) certification process. Law designates the SWA as the only agency that can issue a Certification (26 USC §51(d)(12)). (That statute refers to SWAs as State employment security agencies, established in accordance with 29 U.S.C. 49).
2. Designate a State Coordinator who oversees the WOTC administration for each state grant and attends monthly technical assistance grantee calls hosted by ETA's National and/or Regional Offices.
3. Determine eligibility of individuals as members of targeted groups, on a timely basis, and issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis, and in accordance with the policies and procedures set forth by ETA.
4. Establish and implement an appeals resolution process in accordance with the guidelines provided by ETA.
5. Develop a backlog reduction plan that includes an estimated timeline to eliminate the state's existing backlog based on current policies and procedures and notify their ETA Regional Coordinator prior to plan implementation.
6. Establish and maintain appropriate forms' quality review process, record keeping, and reporting capability related to the orderly management of WOTC certification requests in accordance with the policies and procedures set forth by ETA.
7. Establish and maintain an orderly system for regularly verifying the eligibility of a random sample of individuals certified under WOTC on a quarterly basis, and initiating effective corrective action when appropriate, as indicated by results of such quality control activities.

Additionally, SWAs are strongly encouraged to use the funds to conduct the following activities:

- Adopt information technology (i.e., systems applications, software, etc.) to process certification requests more efficiently, or make modernization improvements to their existing systems or procedures to increase efficiency and reduce any processing backlog.
- Develop working agreements, such as Memoranda of Understanding (MOU) or other formal agreements, with partner agencies in the American Job Center network (also known as the One-Stop Career Center system) to coordinate efforts to promote WOTC to employers, job seekers and other Workforce Innovation and Opportunity Act partners.
- Develop working agreements such as MOUs or other formal agreements with other SWAs for the timely and orderly processing of "out of state" certification requests requiring SWAs to provide available documentation and/or records for WOTC potentially eligible applicants (new hires) relocating and working in another state.

- Develop working agreements, such as MOUs or other formal agreements, with state or local partnering agencies (i.e., state Vocational Rehabilitation Agencies, Veterans Affairs Administration and related organizations, Employment Networks, and other local workforce areas), for the purposes of expediting verification of targeted group eligibility information submitted in certification requests, and issuing Conditional Certifications, where appropriate. SWAs are expected to train state and participating agency staff, and provide monitoring and technical assistance to these agencies, as appropriate, for conducting targeted group preliminary eligibility determinations and issuing Conditional Certifications.

Other Grant Agreement Conditions

By entering into this agreement, the SWA agrees to the following conditions:

- SWAs must assure that all data exchanges conducted through or during the course of performance of this grant will be conducted in a manner consistent with applicable Federal law and [TEGL NO. 39-11](#), issued on June 28, 2012. All such activity conducted by ETA and/or recipient/s will be performed in a manner consistent with applicable state and Federal laws.
- SWAs must fulfill performance and financial reporting requirements under the grant agreement.