

TRAINING AND EMPLOYMENT NOTICE	NO. 9-21
	DATE September 24, 2021

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
STATE AND LOCAL WORKFORCE BOARDS AND CHAIRS
AMERICAN JOB CENTERS

FROM: LENITA JACOBS-SIMMONS
Acting Assistant Secretary



SUBJECT: Release and Availability of the Work Opportunity Tax Credit (WOTC)
Quick Reference Guide for Employers

1. **Purpose.** To announce the availability of the Work Opportunity Tax Credit (WOTC) Quick Reference Guide for Employers.
2. **Action Requested.** State Workforce Agencies (SWA) should disseminate this information to all appropriate staff, employers, collaborating partner agencies, and other interested partners. SWAs are encouraged to share this quick reference guide when they conduct employer engagement activities to promote good, stable jobs for members of WOTC targeted groups, including formerly incarcerated individuals. View the new outreach resource tool available on the U.S. Department of Labor's WOTC website:
<https://www.dol.gov/agencies/eta/wotc>.
3. **Summary and Background.**
 - a. Summary – The WOTC is a federal tax credit available to eligible employers that hire first-time, qualifying members of targeted groups who experience significant challenges to attain employment. The WOTC Quick Reference Guide for Employers provides information on eligible targeted groups, instructions on how to file a certification request, and explains how employers can receive conditional certifications by coordinating with American Job Centers (AJC) and partnering agencies.
 - b. Background – The WOTC is set forth under section 51 of the Internal Revenue Code of 1986 (Code). WOTC has been extended several times and currently is effective until December 31, 2025 (Section 113 of Division EE of P.L. 116-260 -- Consolidated Appropriations Act, 2021). For more information on how to file for the tax credit and the eligible targeted groups, visit the Internal Revenue Service (IRS) website:
<http://www.irs.gov/wotc> and the Employment and Training Administration (ETA) website: <https://www.dol.gov/agencies/eta/wotc>.

4. **Details.**

To administer WOTC successfully, SWAs:

- a. Establish and maintain agreements with partner agencies in the American Job Center network (also known as the One-Stop Career Center system) and coordinate efforts to promote WOTC to employers, job seekers, and other Workforce Innovation and Opportunity Act partners.
- b. Partner with local workforce areas, state vocational rehabilitation agencies, Veterans Administration and related groups, Employment Networks, and other state and local agencies/organizations for the purposes of training state and participating agency staff on the WOTC.
- c. Provide technical assistance to AJC and WIOA partner staff on conducting WOTC targeted group preliminary eligibility determinations, for issuing Conditional Certifications, where appropriate.

In June 2021, the Biden-Harris Administration announced its comprehensive strategy to improve public safety and increase employment opportunities for formerly incarcerated individuals. Although there is no single root cause of crime and violence, having access to good, stable jobs promotes public safety. Additionally, recidivism rates are lower when formerly incarcerated individuals secure good, stable jobs. The Administration has identified leveraging employer tax credits, including the WOTC and the American Rescue Plan's Employee Retention Credit (ERC), with resources such as the Federal Bonding Program, to incentivize hiring of formerly incarcerated individuals as one of its concrete steps to facilitate employment services and associated services for formerly incarcerated individuals. To view the White House announcement, visit: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/23/fact-sheet-biden-harris-administration-announces-comprehensive-strategy-to-prevent-and-respond-to-gun-crime-and-ensure-public-safety/>.

5. **Inquiries.** For further information, please direct inquiries to the appropriate SWA or ETA Regional Office: <https://www.dol.gov/agencies/eta/wotc/contact>.

6. **References.**

- Section 51 of the Internal Revenue Code (26 U.S.C. §51) available at: <https://uscode.house.gov/view.xhtml;jsessionid=36D3880A571F8263FD07D4406A9C774E?hl=false&edition=prelim&req=granuleid%3AUSC-1995-title26-section51&num=0>.
- Department of Labor's Federal Bonding Program: <https://bonds4jobs.com/>
- 'FAQs: Employee Retention Credit under the CARES Act': <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

7. **Attachment(s).** WOTC Quick Reference Guide for Employers.



WORK OPPORTUNITY TAX CREDIT

Quick Reference Guide for Employers

Did you know that in 2020, State Workforce Agencies issued 1.6 million certifications to employers seeking a Work Opportunity Tax Credit (WOTC)?

WHAT IS WOTC?

The WOTC is a federal tax credit available to employers who invest in American job seekers who have consistently faced barriers to employment. Employers may meet their business needs and claim a tax credit if they hire an individual who is in a WOTC **targeted group**. Employers must apply for and receive a certification verifying the **new hire** is a member of a targeted group before they can claim the tax credit. After the required certification is secured, taxable employers claim the WOTC as a general business credit against their income taxes, and tax-exempt employers claim the WOTC against their payroll taxes.

BENEFITS TO EMPLOYERS

The credit available ranges from **\$2,400** up to **\$9,600**, depending on the targeted group and qualified wages paid to the new employee generally during the first year of employment. Generally, the credit is 40% of qualified first-year wages for individuals who work 400+ hours in their first year of employment.

HOW CAN EMPLOYERS FIND JOB CANDIDATES IN WOTC TARGETED GROUPS?

The [American Job Centers](#) and partnering agencies and programs can help employers connect with skilled job seekers who may be in a targeted group for the WOTC. American Job Centers (AJCs) can assist employers in recruiting talent, hosting job fairs, conducting skills assessment, and providing support to workers transitioning to new jobs.

Some jobseekers may also be pre-certified as in a WOTC targeted group. This pre-certification can be helpful, but is not required for hiring or claiming the tax credit, and job candidates that may be a good fit for your business and eligible for the WOTC may not have

a pre-certification. A state workforce agency (SWA) or **participating agency** can determine whether a job seeker may be in a WOTC targeted group, and note this determination with a **Conditional Certification**, ETA Form 9062. The state agency then gives that pre-certification to the job-ready applicant to use during their job search. The Conditional Certification serves as an official record of WOTC pre-certification by:

- ▶ Alerting prospective employers to the availability of the tax credit if the individual is hired, and
- ▶ Providing a means for employers to request a WOTC certification for the job applicant/new hire.

A “**participating agency**” is a federal, state, county, or local government agency or a grantee of these agencies. Examples of participating agencies may include:

- ▶ American Job Centers
- ▶ Vocational Rehabilitation agencies
- ▶ City and county social service offices
- ▶ Department of Corrections
- ▶ Veterans Administration and related service organizations
- ▶ Workforce Innovation and Opportunity Act (WIOA) grant recipients

State Workforce Agencies (SWA) are authorized to administer the WOTC certification process and coordinate with **American Job Centers** and partnering agencies to help employers connect with skilled job seekers who may be in WOTC targeted groups. Employers should **contact their SWA** for assistance connecting with partnering agencies and filing WOTC certification requests.

HOW CAN EMPLOYERS GET STARTED WITH WOTC?

Learn how to file a certification request by visiting the U.S. Department of Labor WOTC website at <https://www.dol.gov/agencies/eta/wotc>. View eligibility criteria for WOTC targeted groups in the **WOTC Desk Aid**, or visit the IRS website at <https://irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>.

OTHER HIRING INCENTIVES FOR EMPLOYERS

Employers can expand their hiring practices with the WOTC or with other programs such as the **Federal Bonding Program (FBP)** or ‘**Employee Retention Credit**’ (ERC) under the American Rescue Plan Act.

The Federal Bonding Program (FBP). Employers can receive fidelity bonds free of charge when hiring certain job applicants. The bonds reimburse the employer for any loss due to employee theft (\$5,000

up to \$25,000), and cover the first six months of employment at no cost to the job applicant or the employer (\$0 deductible). Fidelity bonds can be applied to ANY job, ANY state, and to ANY employee (excluding a self-employed individual) who is paid wages and has Federal taxes automatically deducted. To date, FBP has issued over 50,000 bonds. Gain access to tools that help employers integrate the FBP into hiring endeavors by calling 1-877-US2-JOBS (1-877-872-5627) or visit the Bonds4Jobs website: <https://bonds4jobs.com/resources>.

The Employee Retention Credit (ERC). Under present law, the ERC is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages paid by an eligible employer after March 12, 2020, and before January 1, 2021, and 70% of qualified wages paid by an eligible employer after December 31, 2020, and before January 1, 2022. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. For example, a small business employer that hires an individual released from prison following incarceration for a felony within the last twelve months, and employs the individual from July 1, 2021, through December 31, 2021, could qualify for a credit of up to \$16,400 for that employee by claiming both the WOTC and the ERC, provided that the same wages are not used to calculate the WOTC and the ERC. For more information on the ERC, visit the IRS website: <https://www.irs.gov/newsroom/new-law-extends-covid-tax-credit-for-employers-who-keep-workers-on-payroll>.

