

479 words

Word count target: 460 to 480 words

**Abstract:** Business owners who intend to hire should be aware of a recent law that has extended through 2025 a valuable credit to those that hire members of certain targeted groups. This article provides the limits and other details of the Work Opportunity Tax Credit and how employers can qualify to claim it.

### **Hiring? You may be eligible for a valuable credit**

Are you a business owner who needs to hire? Be aware that a law enacted at the end of 2020 extended through 2025 a credit for employers that hire individuals from one or more targeted groups, listed below. Employers can qualify for a tax credit known as the Work Opportunity Tax Credit (WOTC) that's worth as much as \$2,400 for each eligible employee. For certain veterans, the credit can be up to \$4,800, \$5,600 or \$9,600, and for "long-term family assistance recipients," up to \$9,000 (more about these later). Employees who qualify for the credit must begin working for the employer before January 1, 2026.

Generally, an employer is eligible for the credit only for qualified wages paid to members of a targeted group. These groups are:

1. Qualified members of families that receive assistance under the Temporary Assistance for Needy Families program,
2. Qualified veterans,
3. Qualified ex-felons,
4. Designated community residents,
5. Vocational rehabilitation referrals,
6. Qualified summer youth employees,
7. Qualified members of families in the Supplemental Nutritional Assistance Program (SNAP),
8. Qualified Supplemental Security Income recipients,
9. Long-term family assistance recipients, and
10. Long-term unemployed individuals.

### **Employers must meet certain requirements**

Many conditions must be fulfilled before employers can qualify for the credit. Each employee must have completed a minimum of 120 hours of service for the employer. Also, the credit isn't available for employees who are related to the employer or who previously worked for the employer.

The rules and credit amounts differ for specific employees. The maximum credit available for the first year's wages is \$2,400 for each employee, or \$4,000 for a recipient of long-term family assistance. In addition, for those receiving long-term family assistance, there's a 50% credit for up to \$10,000 of second-year wages. The maximum credit available over two years for these employees is \$9,000 (\$4,000 for year one and \$5,000 for year two).

For some veterans, the limits are \$4,800, \$5,600 or \$9,600. For summer youth employees, the wages must be paid for services performed during any 90-day period between May 1 and September 15. The maximum WOTC credit available for summer youth workers is \$1,200 per employee.

Employers of all sizes are eligible to claim the WOTC. This includes both taxable and certain tax-exempt employers located in the United States and in some U.S. territories. Taxable employers can claim the WOTC against income taxes. However, eligible tax-exempt employers can only claim the WOTC against payroll taxes and only for wages paid to members of the qualified veteran targeted group.

### **A credit worth pursuing**

Additional rules and requirements exist. In some cases, employers may elect not to claim the WOTC. And in limited circumstances, the rules may prohibit the credit or require an allocation of it. However, for most employers that hire from targeted groups, the credit can be valuable. Contact us with questions or for more information about your situation.