

THE TAX CREDIT THAT COULD SAVE CONTRACTORS THOUSANDS

With the impending tax reform expected in the near future, it's important to take full advantage of the current tax credits that are available for private-sector businesses. One tax credit that provides a substantial benefit to construction business owners is the **Work Opportunity Tax Credit (WOTC)**.

The WOTC is a federal tax credit offered to encourage businesses to hire individuals from targeted groups. The credit ranges from \$2,400 to \$9,600 per employee depending on the group the employee belongs to, and there is no limit to the number of credits a company can apply for.

Who is eligible?

The individuals in the targeted groups have often faced obstacles to finding employment. The WOTC is designed to help put these individuals to work, while also benefitting the employer. Without knowing this credit exists, many contractors are already hiring workers that qualify for the credit.

Individuals that are eligible include:

- Unemployed Veterans (including disabled veterans)
- Temporary Assistance for Needy Families (TANF) Recipients
- Food Stamp (SNAP) Recipients
- Designated Community Residents (living in Empowerment Zones or Rural Renewal Counties)
- Vocational Rehabilitation Referred Individuals
- Ex-Felons
- Supplemental Security Income Recipients
- Summer Youth Employees (living in Empowerment Zones)
- Qualified Long-Term Unemployment Recipient

Click [here](#) for a chart on the certification criteria for each of the targeted groups.

THE BOTTOM LINE

It's important to take full advantage of the current tax credits that are available for private-sector businesses.

How much are the tax credits?

The tax credits vary depending on which targeted group the employee belongs to, the wages paid and the number of hours worked during the first year, but employers can expect to earn a credit equal to 25-40% of a new employee's first-year wages, up to the maximum allowed. See examples of how much tax credit a construction business owner can earn below:

- A contractor that hires a laborer that is receiving SNAP benefits and is paid at \$10 an hour working full time for 52 weeks will generate a tax credit of \$2,400 for the employer in one year.
- A long-term TANF recipient that secures a superintendent position with a construction company and only works 6 months of the year making an annual salary of \$75,000 will earn a credit of \$4,000 the first year and \$5,000 the second year for the employer.
- A veteran that has been unemployed for 6 months prior to receiving a job offer as an engineer for a construction firm in September at \$25 per hour will earn the firm a tax credit of \$5,600 in the first year.

To calculate how much your business can earn, the Department of Labor has provided a WOTC calculator that can be found [here](#).

How does a business apply for WOTC?

Applying for the WOTC is a simple process that involves both the employee and the employer. The important thing to remember is that ***the application must be submitted within 28 calendar days of the employee's start date.***

1. Employers include **IRS Form 8850** for the prospective employee to complete page 1 during the application process. If the employer believes the prospective employee is a member of a target group, the employer completes page 2 of IRS Form 8850.
2. Upon hire, the employee completes **ETA Form 9061** and provides documentation of membership to a target group.
3. Within 28 days of hire, IRS Form 8850 & ETA Form 9061 must be submitted to the appropriate **State Workforce Agency**.
4. After reviewing the submitted forms, the State Workforce Agency will make the final determination and send certification if the credit has been awarded.
5. While completing the employer's income tax return, their tax practitioner will complete IRS Form 5884 to reflect the tax credit the employer is eligible to include on their return.

QUESTIONS?

If you need assistance in applying for the Work Opportunity Tax Credit or have specific questions, HORNE can help.

Contact Tracie Dupuy at tracie.dupuy@hornellp.com or 601.326.1146.



Clients turn to HORNE for the foresight, straight talk, and collaboration needed to navigate the challenges of growth, regulatory compliance and risk mitigation. HORNE is a decidedly different CPA and advisory firm who goes beyond traditional accounting services, steering clients through the uncertainties and opportunities ahead.