

General Overview of WOTC

Illinois Department of
Employment Security



Agenda

- Overview of WOTC
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 - What Are the Tax Credits Worth?
- Certification Categories
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 - Types of Proof Needed From Employer
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Overview of Work Opportunity Tax Credit Program (WOTC)

- Federal tax credit given to employers who hire people that fall into specific socio-economic groups
- Tax credit for new hires only; rehires not qualified
- Tax credit is spoken of in potentials; amount of credit varies based on how many hours the new employee works
- VOW Act of 2011 added sub categories under “Veteran” – (See next slide for more information regarding Qualified Veteran)

More About Qualified Veteran

- On November 21, 2011, President Obama signed into law the VOW Act (Pub. L. 112-56). Title II, subtitle D, section 261, “Returning Heroes and Wounded Warriors Work Opportunity Tax Credits,” of the VOW Act amends and expands the definition of the WOTC “Qualified Veteran” target group in section 51 of the Internal Revenue Code (IRC) to grant a tax credit to employers for hiring certain qualified veterans.
- **The changes and new provisions in the VOW Act apply to individuals who begin to work for an employer on or after November 22, 2011, and before January 1, 2014.** Section 261 amends the IRC Section 51(d)(3) definition of “Qualified Veteran” by adding two new unemployed veteran categories and also extends the availability of the existing veterans receiving Supplemental Nutrition Assistance Program (SNAP) and disabled veteran categories. The VOW Act also makes WOTC available to “qualified tax-exempt organizations” that hire qualified veterans.

What Are the Tax Credits Worth?

- With five exceptions, each category is worth potentially \$2,400
 - Category B2b (Disabled Vet)—potentially \$4,800
 - Category B2c (Unemployed Disabled Vet)—potentially \$9,600
 - Category B2e (Unemployed Vet Long-Term)—potentially \$5,600
 - Category F (Summer Youth)—potentially \$1,200
 - Category I (Long-Term TANF)—potentially \$9,000 over two years
- Maximum credit earned by:
 - Working at least 400 hours in one year
 - Categories worth potentially \$2,400 must earn at least \$6,000 in wages
 - Disabled Vet must earn at least \$12,000
 - Unemployed Disabled Vet must earn at least \$24,000
 - Unemployed Vet Long-Term must earn at least \$14,000
 - Long-Term TANF must earn at least \$10,000 each year
- If new employee works 120-399 hours and/or does not earn the maximum amount of wages, still eligible for credit but not as much
- New employee must work at least 120 hours to qualify for any amount of WOTC credit

VOW Act Table of Wages and Potential Credits—Traditional



TARGET GROUP	MAX ALLOWABLE WAGES	MAX TAX CREDIT (25%) (WORKS 120-399 HRS)	MAX TAX CREDIT (40%) (WORKS 400-UP HRS)
Vet Receiving SNAP Benefits	\$6,000	\$1,500	\$2,400
Disabled Vet (Hired within 1 yr)	\$12,000	\$3,000	\$4,800
Unemployed Disabled Vet (26 weeks and up)	\$24,000	\$6,000	\$9,600
Unemployed Vet Short-Term (4-25 weeks)	\$6,000	\$1,500	\$2,400
Unemployed Vet Long-Term (26 weeks and up)	\$14,000	\$3,500	\$5,600

WOTC Categories and Types of Proof Needed



WOTC Categories

- A—Qualified IV-A (TANF) Recipient
- B—Qualified Veteran
 - B2a—Veteran on SNAP Benefits
 - B2b—Disabled Veteran
 - B2c—Unemployed Disabled Veteran
 - B2d—Unemployed Veteran Short-Term
 - B2e—Unemployed Veteran Long-Term
- C—Qualified Ex-felon
- D—Designated Community Resident
- E—Vocational Rehabilitation Referral
- F—Qualified Summer Youth
- G—Qualified SNAP Benefits (Food Stamps) Recipient
- H—Qualified SSI Recipient
- I—Qualified Long-term TANF Recipient

Category A—Qualified IV-A (TANF) Recipient

- TANF = Temporary Aid for Needy Families
- Member of a family who received TANF in any 9 of last 18 months ending on start date
- No age limit
- No proof from employer needed

Category B—Qualified Veteran Definition of a Veteran under WOTC

- Having:
 - served on active duty (other than active duty for training) for period of more than 180 days in the Armed Forces of the United States of America, **or**
 - been discharged or released from active duty in the Armed Forces of the United States of America for a service-connected disability; **and**
- Not having, during the 60-day period ending on the hiring date, any day of extended active duty in the Armed Forces in the United States of America.
- No age limit for any Veteran subcategory certification
- ***Can be Dishonorably Discharged and still be considered a Veteran under WOTC***

B2a—Veteran on SNAP benefits

- Member of a family that has received SNAP for any three (3) months in the past fifteen (15) months.

B2b—Disabled Veteran

- Entitled to compensation for a service-connected disability
- Has a hiring date which is not more than one year after discharge or release from active duty

B2c—Unemployed Disabled Veteran

- Entitled to compensation for a service-connected disability
- Has aggregate periods of unemployment of six months or more during the one-year period ending on the hiring date

B2d—Unemployed Veteran Short-Term

- Having aggregate periods of unemployment of at least 4 weeks up to 25 weeks (nearly six months) in the year prior to being hired

B2e—Unemployed Veteran Long-Term

- Having aggregate periods of unemployment of at least 26 weeks (six months) or more in the year prior to being hired

Proof of Veteran Status

- DD Form 214
- Discharge papers
- Documentation for service-connected disability

Proof of SNAP Benefits

- IDES will check Public Aid records
- No information from employer needed
- If Veteran received SNAP benefits in another state, that state must be indicated on the ETA-9061 so that Illinois can send a request for verification of benefits

Proof of Service-Connected Disability

- Documentation that would verify that an individual is eligible to receive or is receiving compensation for a “service-connected disability,” so long as these documents are issued by the VA, are on agency letterhead or have an agency stamp, and include a signature and contact information from the individual at the agency who verified the disability information.
- The VA regularly issues letters to veterans after separation from the Armed Forces indicating that the individual has a service-connected disability for use in civil service preference or the receipt of benefits. If a veteran does not have such a letter, he or she may contact the national VA call center, at 1-800-827-1000, or his/her VA vocational rehabilitation counselor to obtain the letter.

Proof of Unemployment

- IDES will check Unemployment Insurance (UI) records
- No information from employer needed
- If Veteran received UI benefits and/or lived in another state during the year preceding the start date, that state must be indicated on the ETA-9061 so that Illinois can send a request for verification of benefits

Category C—Qualified Ex-felon

- Proof of conviction and/or release from prison within one year of start date
- Must be felony conviction, not misdemeanor
- Proof will be requested if unable to locate new employee on IDOC website
 - Court decree
 - Statement from Probation/Parole officer
- If conviction/incarceration was in another state, that needs to be noted on the ETA-9061

Category D—Designated Community Resident—EZ

- Abbreviation
 - EZ—Empowerment Zone
 - Renewal Counties
- Can find out if employee address qualifies by going to egis.hud.gov/egis/cpd/rcezec/ezec_open.htm
- Generally tied to urban areas, although there are some rural areas that are EZs
- Must be at least 18 and not yet 40 on start date
- Proof needed:
 - Proof of Age
 - Proof of Address that confirms both that the new employee lived at the address on the 8850 and that the address is in an EZ/RC

Category D—Designated Community Resident—RRC

- Abbreviation
 - RRC—Rural Renewal County
- A RRC is a county:
 - Outside a metropolitan statistical area as per Office of Management and Budget, and
 - During the 5-year periods 1990–1994 and 1995–1999, had a net population loss during both time periods
- Must be at least 18 and not yet 40 on start date
- Proof needed:
 - Proof of Age
 - Proof of Address that confirms both that the new employee lived at the address on the 8850 and that the address is in a Rural Renewal County

Illinois RRC Counties

- Alexander
- Edwards
- Franklin
- Gallatin
- Greene
- Hancock
- Hardin
- Jasper
- Knox
- McDonough
- Montgomery
- Pulaski
- Randolph
- Richland
- Scott
- Warren
- Wayne
- White

Illinois RRC Counties



Category E—Vocational Rehabilitation Referral

- A person receiving vocational rehabilitation services from a state or federal agency or an agency authorized by the state to work with people with disabilities. Examples include:
 - Department of Veteran Affairs
 - Illinois Department of Rehabilitation Services
 - ARC Community Support Systems (in Teutopolis, IL)
- Includes “Ticket to Work”
 - The Ticket to Work and Self-Sufficiency Program is an employment program for people with disabilities who are interested in going to work
- No age limit

Category E—Vocational Rehabilitation Referral

- Proof difficult to obtain due to Health Insurance Portability and Accountability Act (HIPAA) of 1996 requirements
- Proof of participation in acceptable program required
- Acceptable format on next slide

Category E—Vocational Rehabilitation Referral

- Should be on official agency letterhead
- Have the new employee's name, SSN, employer and start date at the top
- Have the statement read as follows:
- I certify that (***insert new employee's name here***) meets the criteria listed below and is eligible to be certified for Vocational Rehabilitation Referral.
 - has a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment; and
 - has been referred to the employer upon completion of or while receiving individualized services pursuant to a plan of employment under a state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973; or
 - has been referred to the employer upon completion of or while receiving individualized services pursuant to a plan of employment under a vocational rehabilitation program for veterans, carried out under Chapter 31 of Title 38, U.S. Code.
- Certifying official's signature block

Category F—Qualified Summer Youth

- Must be at least 16 years of age but not yet 18
- Start date between May 1 and Sept 15
- Proof needed
 - Proof of Age
 - Proof of Address that confirms both that the new employee lived at the address on the 8850 and that the address is in a DCR (EZ/RRC)

Category G—Qualified SNAP Benefits (Food Stamps) Recipient

- Member of a family who received Food Stamps 3 of the last 5 months including month of start date

AND

- Be at least 18 years of age and not yet 40 years of age on start date
- No proof from employer needed

Category H—Qualified Supplemental Security Income (SSI) Recipient

- New employee must be recipient of SSI to qualify for this category; not household member
- SSI is different than SSDI (Social Security Disability Income)
- No age limit
- Proof usually required

Category I—Qualified Long-term TANF Recipient

- A member of a family who has received TANF payments for at least 18 consecutive months ending on the start date
- No age limit
- No proof from employer needed

WOTC Results



Certification

- Request was qualified to receive a tax credit
- Employer must track hours worked to determine if/how much of the credit can be taken
- Certifications reported to IRS using IRS Form 5884 (Work Opportunity Tax Credit)

Denial

- Request was not qualified to receive a tax credit
- Areas where self-identified characteristics were not qualified for certification will be indicated
- Employer may request reconsideration of this decision up to one year from the date on the letter but must provide supporting documentation at time of request
 - Saying merely something to the effect of “I disagree with this denial” will result in correspondence from us stating request still denied
 - Must have reason AND proof

Request Submittal



Necessary Forms

- There are two forms employers must complete for each new hire:
 - IRS Form 8850: *“Pre-Screening Notice and Certification Request”*—***Must be submitted with ORIGINAL signatures and dates (no exceptions)***
- AND**
- ETA Form 9061 – *“Individual Characteristics Form”*

How Do Employers Apply?

Illinois

- Online
 - ides.illinois.gov
 - Hover on “Employers” and click on Work Opportunity Tax Credit
 - Email any required support docs to des.wotc@illinois.gov
- Mail
 - IDES WOTC
33 S State St, 8th Fl
Chicago, IL 60603
- Contact Number
 - (312) 793-2913

What Does Timely Filing Mean?

- IRS Form 8850 along with the ETA 9061 must be submitted to the employer's State Workforce Agency no later than the 28th calendar day following the new employee's start date
- When the last day of the 28th calendar day period ends on a Saturday, Sunday or federal holiday, the next succeeding business day will be treated as the last day of the period (the 28th day)
 - If Day 28 is Labor Day, the next day (Tuesday) will be counted as Day 28
 - If Day 28 is February 12 (Lincoln's Birthday), it is a state holiday, not a federal holiday
- Must be postmarked by 28th day, not received
- If filing electronically, must be submitted online no later than 28 days from start date

IRS Form 8850

Pre-Screening Notice

- Must be completed and submitted on every tax credit request
- New employee fills out page 1
- Employer fills out page 2
- Original form must be turned in; copies and/or faxes are not acceptable

ETA-9061

Individual Characteristics Form

- Can be filled out by either the employer or the new employee
- Does not have to be submitted at the same time that the 8850 is sent in but no certification will be issued without it
- *Best practice is to mail both the 8850 and the 9061 together*

Required Forms and Electronic Submittal

- If submitting electronically, paper forms still need to be completed and retained by employer
- When submitting electronically, be sure to save a printout of the confirmation that the submittals were accepted

Contact Information and Resources



Contact Information

- Illinois
 - John Waters
33 S State, 8th Fl
Chicago, IL 60603
312-793-2913 (voice)
312-793-5151 (fax)
John.M.Waters@Illinois.gov

- IDES WOTC Website
www.ides.illinois.gov
Hover over “Employers” and click on Work
Opportunity Tax Credit
 - To file 8850 and 9061 electronically and to
check your online application status:
www.ilwotc.com

- IDES WOTC Email
des.wotc@illinois.gov

Resources

- Illinois Department of Employment Security Website
www.ides.illinois.gov
- ETA Handbook No. 408, 3rd Edition, Nov 2002, for the Work Opportunity Tax Credit Program & the Welfare-to-Work Tax Credit
- August 2009 Addendum to ETA Handbook No. 408 (3rd Edition, Nov 2002) for the Consolidated Work Opportunity Tax Credit Program
- Training and Employment Guidance Letter 30-11 (5/24/2012)
 - VOW Act
- Training and Employment Guidance Letter 15-11 (1/24/2012)
 - Working non-Veteran Target Groups during hiatus