

**Work Opportunity Tax Credit (WOTC)
Frequently Asked Questions
September 2019**

Q: What regulations pertain to the WOTC program?

A: The Protecting Americans from Tax Hikes Act of 2015 (P.L. 114-113) (the PATH Act) retroactively allows eligible employers to claim the Work Opportunity Tax Credit (WOTC) for all targeted group employee categories that were in effect prior to the enactment of the PATH Act, if the individual began or begins work for the employer after December 31, 2014 and before January 1, 2020. For tax-exempt employers, the PATH Act retroactively allows them to claim the WOTC for qualified veterans who begin work for the employer after December 31, 2014 and before January 1, 2020. The PATH Act also added a new targeted group category to include qualified long-term unemployment recipients.

On February 9, 2018, the [Bipartisan Budget Act of 2018](#) (the Act) (Pub. L. 115-123) was signed into law. Section 40311 of this Act extended the Empowerment Zones retroactive to its expiration date (December 31, 2016), for a one-year period, through December 31, 2017. WOTC undergoes changes, extension(s), and modifications to target groups. Any target group may be discontinued, modified, or placed on hold for reauthorization. Employers and employer representatives may continue to submit applications for those target groups until a legislative decision is made and a Training Employment and Guidance Letter (TEGL) has been issued by the US Department of Labor - Employment and Training Administration with instructions for State Workforce Agencies (SWAs).

Note: If the WOTC Program does not get extended past December 31, 2019 please continue to submit applications.

The ETA Handbook No. 408 and its Addendum along with numerous TEGLs and IRS Notices also pertain to the WOTC Program and can be found on the [United States Department of Labor website](#) under the Policy Guidance and Resources navigation links.

Q: What is the amount of tax credits that can be claimed?

A: The tax credit employers can claim depends on the target group of the individual hired, the wages paid to that individual in the first year of employment, and the number of hours that individual worked. There is also a maximum tax credit that can be earned.

If the individual works at least 120 hours in the first year, the employer may claim a tax credit equal to 25% of the individual's first year wages, up to the maximum tax credit.

- If the individual works at least 400 hours in the first year, the employer may claim a tax credit equal to 40% of the individual's first year wages, up to the maximum tax credit.

Only for the Long-term Temporary Assistance for Needy Families (TANF) target group, the credit is available to employers who hire members of this group for a two-year period.

- If the individual works at least 120 hours in the first year, the employer may claim a tax credit equal to 40% of first year wages, up to the maximum tax credit.
- If the individual works at least 400 hours in the second year, the employer may claim a tax credit equal to 50% of second year wages, up to the maximum tax credit.

For-profit employers may claim the credit against their federal tax liability when they file their federal income taxes.

Non-profit (501C) employers may claim the credit, only with a veteran new hire, against their social security tax.

Q: What target groups are eligible for WOTC?

A: Employers may submit certification requests to the Department of Labor & Industry for all WOTC target groups listed below.

- Veterans – 5 categories
- TANF Recipients
- SNAP (Food Stamp) Recipients
- Designated Community Residents
- Vocational Rehabilitation Referral
- Ex-Felons
- Supplemental Security Income Recipients
- Summer Youth
- Long-Term Unemployed Recipient

View the [WOTC target groups on IRS.gov](https://www.irs.gov/credits-deductions/epic/wotc-target-groups).

Q: How do I apply?

A: To apply for the Work Opportunity Tax Credit, an employer or employer’s representative must submit the IRS 8850 and ETA 9061 (or 9062, where applicable) within 28 days of the new hires’ start date to the address below. Proof of mailing may be required. You may also submit applications electronically on our website, www.cwds.pa.gov, **which we recommend**. Please call one of the numbers below to gain access to the website.

PA Department of Labor & Industry
Tax Credit Services
651 Boas Street, 12th Floor
Harrisburg, Pa. 17121-0750
800.345.2555 | 717.783.3676

Applying Quick Steps:

1. Complete page 1 of IRS Pre-screening Notice and Certification Request for the Work Opportunity Credit (Form 8850) when the job offer is made.
2. Complete page 2 of IRS Form 8850 after the individual is hired.
3. Complete ETA Form 9061 (or 9062, where applicable)
4. Submit the completed and signed IRS and ETA forms to the following address for Pennsylvania:

PA Dept. of Labor & Industry

Tax Credit Services
651 Boas Street, 12th Floor
Harrisburg, Pa. 17121-0750

NOTE: Refer to ETA Handbook No. 408 and its Addendum for reference.

Q: I see that WOTC is set to expire on 12/31/19. Do I still continue to submit applications?

A: Yes, please keep submitting applications after 12/31/19 even though the program will expire.

Q: We hired an eligible employee but did not know about the 28-day rule at the time, can you waive it?

A: No. Unfortunately, the 28-day rule cannot be waived, because it is a federal law.

Q: What are the benefits to using the online system?

A: Using the online system to submit WOTC applications reduces the processing time significantly. It also reduces postage fees and establishes an immediate postmark date for the 28-day rule. The online system offers immediate tracking along with the ability to print determinations which include certifications.

Q: If my employee is living outside of PA where do I submit the application?

A: A WOTC application should be submitted where the company is located.

Q: Do I have to have the paper forms filled out if I am submitting the application on your website?

A: Yes, both the 8850 & 9061 (9062 if applicable) must be completely filled out, signed and kept for four years in case of an IRS audit.

Q: I've signed into my company profile and see the "Report New Hires" on the blue menu bar at the top. Is this where I submit a WOTC application?

A: No, please go to "My Profile" and then down to the "Tax Credit - Application List" tab and then follow the desk guide to submit a WOTC application.

Q: If my employee does not check any of the boxes on the 8850 or "Yes" to any of the questions on the 9061 do I still need to submit an application?

A: In most cases you would not submit the application. You may want to talk with your employee to make sure they answered the questions correctly. Some employees may feel uncomfortable letting their employer know they collect these types of benefits.

Q: On the 9061 form in Box 24 it asks to list "Sources used to document eligibility". What do I list here?

A: You may leave this box blank on the form and on the website. The website can make an automatic determination on SNAP, TANF, OVR, SSI & LTUR target group application. If a supporting document is needed to make a determination on your application the website will generate an incomplete letter letting you know what is needed.

Q: Where do I send supporting documentation if needed for an application?

A: You may upload documents to the application on the website or mail them into the Tax Credit Services Office.

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Tax Credit Services
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Q: What happens or what can I do if I entered wrong information on my application?

A: You would need to call the Tax Credit Services Office at 800.345.2555 or 717.783.3676 to make any changes. Please remember changes cannot be made to an application after the 28-day deadline.

Q: On the website why can't I answer questions 14, 14.1 and/or 18 on the 9061 portion?

A: You probably answered "Yes" to question 12. Questions 14, 14.1 and/or 18 refer to target groups for SNAP & DCR. These target groups have an age requirement and your employee is probably too old.

Q: I see that the HUD EZ and Summer Youth portions of the DCR target group have expired. Do I or can I still submit applications for HUD EZ areas and/or Summer Youth?

A: Yes, continue to submit applications for HUD EZ and/or Summer Youth.

Q: Can a former employee be rehired and qualify the employer for the tax credit?

A: Employers may not request certification on former employees who have been rehired. The employee must have been WOTC-qualified and certified as such only the first time he/she was hired by the employer.

Q: What if my business is operating at a loss?

A: Most tax credits have a carry forward period so you may accumulate the credits in order to use them when you are profitable. For example, the Work Opportunity Tax Credit is applied back one year and forward for 20 years.

Q: How does WOTC work for On-The-Job (OJT) trainings?

A: Since OJT is considered a hire first situation, the WOTC application would have to be submitted within 28 calendar days of the individual beginning work, even in an OJT position. For WOTC purposes, the hours worked while under OJT would count toward the minimum hourly requirement for WOTC, however the qualified wages for WOTC purposes would be calculated

starting the moment the employee exited the OJT status. Qualified wages are non-subsidized wages and OJT wages are considered subsidized wages.

Q: What is the benefit to the employee?

A: The tax credit incentive only goes to the employer and isn't shared with the employee. The purpose of the program is really to help underrepresented individuals gain employment. While it is not a requirement to make hiring decisions based on WOTC qualification status, the EEOC has issued guidance declaring it is an acceptable practice.

Q: Who determines which credit is to the employer's best advantage if the employee is eligible for more than one target group?

A: The website will automatically issue a certification for the highest paying target group.

Q: What should I do if I have received a Denial to an application, and feel that this decision is in error?

A: You have the right to appeal an original Denial decision, but your appeal must be (a) based upon NEW supporting documentation that was not provided with the original application or (b) prove that the original Denial was based upon the misinterpretation of eligibility information.

Q: Can Family members qualify for the tax credit?

A: No tax credit can be claimed for wages paid to relatives.