



Work Opportunity Tax Credit extended through 2025

Are you a business owner thinking about hiring? Be aware that a recent law extended a credit for hiring individuals from one or more targeted groups. 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 (\$4,800, \$5,600 and \$9,600 for certain veterans and \$9,000 for "long-term family assistance recipients"). The credit is generally limited to eligible employees who began work 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 receiving assistance under the Temporary Assistance for Needy Families (TANF) 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.

You must meet certain requirements

There are a number of requirements to qualify for the credit. For example, for each employee, there's also a minimum requirement that the employee must have completed at least 120 hours of service for the employer. Also, the credit isn't available for certain employees who are related to or who previously worked for the employer.

There are different rules and credit amounts for certain employees. The maximum credit available for the first-year wages is \$2,400 for each employee, \$4,000 for long-term family assistance recipients, and \$4,800, \$5,600 or \$9,600 for certain veterans. Additionally, for long-term family assistance recipients, there's a 50% credit for up to \$10,000 of second-year wages, resulting in a total maximum credit, over two years, of \$9,000.

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 employees is \$1,200 per employee.

A valuable credit

There are additional rules and requirements. 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 hiring from targeted groups, the credit can be valuable. Contact us with questions or for more information about your situation.

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