

Work Opportunity & Welfare-to-Work Tax Credits

Recently, President Bush renewed a popular federal tax incentive program under the Tax Relief and Health Act of 2006 which reauthorizes, expands, and combines the Work Opportunity Tax Credit (WOTC) and the Welfare to Work (WtW) tax credit programs. The renewal is retroactive to January 1, 2006 and extends the program through December 31, 2007. In addition, the eligibility requirements were modified and the tax credits were increased from 35 to 40 percent of the employee's qualified wages for the first year of employment.

The Work Opportunity Tax Credit (WOTC)

is a federal income tax credit that can reduce an employer's federal tax liability up to \$2,400 each time they hire someone who is a member of a WOTC target group. Qualified wages are capped at \$6,000 except for summer youth employees which are capped at \$3,000 for any 90-day period between May 1 and September 15. WOTC is applicable for the first 12 months after the first day of employment for a qualified new hire who worked at least 120 hours during the first year of employment.

The Welfare-to-Work (WtW) Tax Credit

is now part of the WOTC, is a two-year credit program designed to assist long-term welfare recipients. The WtW tax credit can reduce an employer's federal tax liability up to \$9,000 in two years for every qualified new hire. Qualified wages for WtW tax credit are capped at \$10,000 per year with a maximum first year credit of \$4,000 and \$5,000 for the second year, which gives a maximum combined WtW tax credit of \$9,000 over two years for each qualified new hire. Employers can claim 40% of the qualified first year wages for certified employees who worked at least 400 hours and 50% for the qualified second year wages. Qualified wages include tax-exempt amounts received under accident or health plans, educational assistance programs, and dependent assistance programs. WtW is applicable for the first two years after the first day of employment for each qualified new hire.

Who Qualifies

There are a number of target groups who qualify for the program. These include:

- Qualified recipients of Temporary Assistance to Needy Families (TANF).
- Qualified veterans who are members of households receiving Food Stamps.
- Qualified ex-felons hired within one year after conviction or release from prison.
- High risk youth ages 18 through 24 who reside in a federally designated Empowerment Zone, Enterprise Community, or Renewal Community.
- Vocational Rehabilitation referrals.
- Qualified Food Stamp recipients ages 18 through 39.
- Qualified Hurricane Katrina employees.
- Qualified recipients of Supplemental Security Income.
- Qualified summer youth ages 16 through 17 who reside in a federally designated Empowerment Zone, Enterprise Community, or Renewal Community and have not worked for the employer who obtained this tax credit.
- Qualified long-term recipients of TANF.

How GALLINA Helps You Obtain These Credits

Obtaining these credits is relatively simple, but it requires in-depth knowledge of the program specifics and the organizational skills necessary to maximize the benefits you are entitled to receive. We provide the following:

- Screening – Ensuring all of your new hires complete the eligibility screening.
- Eligibility – Helping you screen the most candidates possible.
- Form Compliance – Ensuring all forms are completed and submitted timely.
- Certification – Maximizing certifications through relationships with the state agencies.
- Reporting – Helping you manage the entire process.

Allow the GALLINA professionals to use our efficient systematic approach to identify ways to help your company and its employees capture the maximum amount of WOTC and WtW tax credits you are entitled to receive. This is just one of the many ways in which we save your company tax dollars and further open the doors to your success...