

WORK OPPORTUNITY TAX CREDIT PROGRAM

PURPOSE

To provide a federal income-tax credit to businesses for hiring from the targeted groups with barriers to employment. The Internal Revenue Service specifies that the State Workforce Agency (SWA) is responsible for administering the Work Opportunity Tax Credit Program. In Missouri, that agency is the Division of Workforce Development of the Missouri Department of Economic Development.

AUTHORIZATION

Work Opportunity Tax Act of 2007 (PL. 110-28), Tax Relief and Health Care Act of 2006 (PL. 109-432) and Small Business and Working Families Tax Relief Act of 2004 (PL. 108-311)

ELIGIBLE AREAS

Statewide.

ELIGIBLE APPLICANTS

Any private, for-profit business. Qualified "tax-exempt" [i.e., 501(c)] organizations can participate in the "veteran" target groups.

ELIGIBILITY CRITERIA

Qualifying new hires must be from one of these groups:

- Short-term TANF recipients
- 18–39 year-old food stamp recipients
- Veterans receiving food stamps, Disabled Veterans, or Unemployed Veterans
- Vocational rehabilitation referrals
- 18–39 year-old Empowerment Zone or Rural Renewal County (EZ/RRC) residents
- 16–17 year-old EZ recipient hired as summer employees
- Ex-felons
- Supplemental security income recipients
- Long-term TANF Recipients

PROGRAM BENEFITS/ELIGIBLE USES

For all target groups (with the exception of the Summer Youth employee, Disabled Veteran, Unemployed Veteran, and long-term TANF recipient) the tax credit is calculated at 40% of the first \$6,000 of the first year's wages (for a maximum credit of \$2,400) if 400 hours is reached. For employees who work at least 120 hours, but do not reach 400 hours, the credit is calculated at 25% of the first \$6,000 of wages (for a maximum credit of \$1,500).

The credit for **Summer Youth** employees is calculated at 40% of the first \$3,000 of the first year's wages (for a maximum credit of \$1,200) if 400 hours is reached. For employees who work at least 120 hours, but do not reach 400 hours, the credit is 25% of the first \$3,000 of the first year's wages (for a maximum credit of \$750).

The tax credit for the **Disabled Veteran** is calculated at 40% of the eligible employee's first \$12,000 in wages for the first year (up to a maximum credit of \$4,800) if 400 hours of employment is reached. For employees who work at least 120 hours, but less than 400 hours, the credit is calculated at 25% of the employee's first \$12,000 in wages for the first year (up to a maximum credit of \$3,000).

The tax credit for the **Disabled Veteran with Six Months of Unemployment** is calculated at 40% of the eligible employee's first \$24,000 in wages for the first year (up to a maximum credit of \$9,600) if 400 hours of employment is reached. For employees who work at least 120 hours, but less than 400 hours, the credit is calculated at 25% of the employee's first \$12,000 in wages for the first year (up to a maximum credit of \$3,000).

The tax credit for **Unemployed Veteran with Six Months of Unemployment** is calculated at 40% of the eligible employee's first \$14,000 in wages for the first year (up to a maximum credit of \$5,600) if 400 hours of employment is reached. For employees who work at least 120 hours, but less than 400 hours, the credit is calculated at 25% of the employee's first \$14,000 in wages for the first year (up to a maximum credit of \$3,500).

The credit for the **Long-term TANF Recipient** is equal to 40% of the first \$10,000 of the first year's wages (for a maximum credit of \$4,000), and 50% of the first \$10,000 of the second year's wages (for a maximum credit of \$5,000). The maximum amount of credit for the two years combined is \$9,000.

FUNDING LIMITS

There is no limit on the number of qualifying new hires per business or total amount of tax credits distributed per year.

APPLICATION/APPROVAL PROCEDURE

The business will submit Form 8850, "Pre-Screening Notice" to the Division of Workforce Development. The form must be postmarked within 28 days of the employee's start date. The business will also submit Form 9061, "Individual Characteristic," which may be submitted at the same time as the Form 8850 or at a later date. The Department of Economic Development will review the Forms 8850 and 9061 to determine the eligibility of the new hire. (Both forms must be received before the verification process will begin.) A **certification** or **denial** for the tax credit will be issued by the Missouri Division of Workforce Development.

The forms may be obtained by contacting the Department of Economic Development at (800) 877-8698 or by downloading them from

https://worksmart.ded.mo.gov/includes/secure_file.cfm?ID=256&menuID=5113

The credit can be claimed by filing Form 5884, "Work Opportunity Credit" with the company's income tax return.

There is no limit on the number of qualifying new hires per business or total amount of tax credits distributed per year. In accordance with section 26 U.S.C. 38, the credit has a carry forward of 20 years and a carry back of one year.

Any proposed amount is an estimate based on the assumptions provided by the company. Any variation in the actual salaries or number of jobs retained could affect the proposed amount and possibly invalidate the proposal. This summary is for guidance only and does not state complete program requirements.

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