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Credit Yourself for Investing in Your Workforce

March 1, 2023



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Learning Objectives

At the end of the session, you will be able to:

- Identify the purpose of the credits
- Provide an overview of the opportunities and limitations of each credit
- Explain the process to claim the credits and the impact of each on the tax return
- Discuss the updates, guidance, and warnings from the IRS related to eligibility for the ERC
- Answer common questions related to the listed credits





WORK OPPORTUNITY TAX CREDIT (WOTC)

Work Opportunity Tax Credit (WOTC)

The tax credit allows employers to reduce their federal tax liability by up to \$9,600 per new hire. For-profit businesses of any size qualify. 501(c) non-profits qualify for the veteran target groups only.

The tax credit applies to temporary, seasonal, part-time and full-time workers. The tax credit is available for new hires with job start dates through December 31, 2025.

WOTC is a prospective benefit that must be addressed at the start date for new employees. The employer has 28 days to submit paperwork related to qualifying employees to the state agency for verification.

The WOTC applies only to new employees who have never worked for the hiring employer at any other time.



How WOTC Impacts Tax Liability

Taxable employers claim the WOTC as a general business credit on form 3800 against their income tax. The WOTC is calculated using form 5884.

For flow-through organizations with members in AMT, WOTC will offset AMT.

To the extent that WOTC is not fully utilized, carry forward period is up to 20 years and carry back is one year.



WOTC Eligible Groups: 10-15% of New Hires Qualify

Long-term unemployment recipients (27 consecutive weeks or more)

Short-term Temporary Assistance for Needy Families (TANF)

Qualified veteran (discharged from active duty within one year of hire date)

Disabled veteran

Unemployed disabled veteran

Unemployed veteran (four weeks)

Unemployed veteran (six months)

Qualified ex-felon

Designated resident of a Rural Renewal County or Empowerment Zone (EZ)

Vocational rehabilitation referral

Food stamp recipient (Supplemental Nutrition Assistant Program or SNAP)

Supplemental Security Income (SSI) recipient

Long-term family assistance recipient

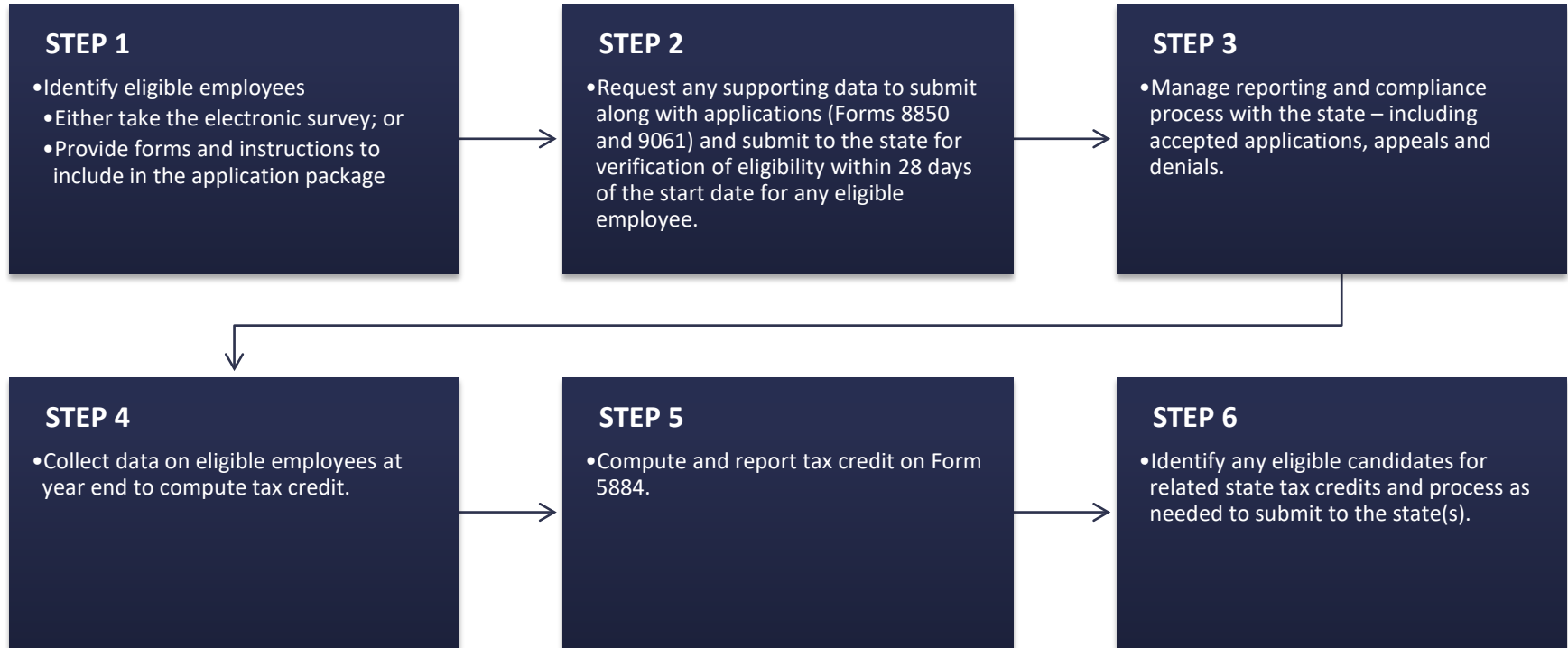


Credit Amounts

TARGET GROUP	MAXIMUM TAX CREDIT
VETERANS	
Receives SNAP benefits	\$2,400
VETERANS ENTITLED TO COMPENSATION FOR SERVICE-CONNECTED DISABILITY	
Hired one year from leaving service	\$4,800
Unemployed at least 6 months	\$9,600
UNEMPLOYED VETERANS	
At least 4 weeks	\$2,400
At least 6 months	\$5,600
OTHER WOTC TARGET GROUPS	
Short Term TANF Recipient	\$2,400
Long-Term TANF Recipient	\$9,000 (over two years)
SNAP (Food Stamp) Recipient	\$2,400
Designated Community Resident	\$2,400
Vocational Rehabilitation Referral	\$2,400
Ex-Felon	\$2,400
SSI Recipient	\$2,400
Qualified Long-term Unemployment Recipient	\$2,400



Our Process



Work Opportunity Tax Credit (WOTC)

Hiring qualifications

Temporary, seasonal, part-time, and full-time workers who put in a minimum of 120 hours in their first 12 months of employment

New employees who have not worked for the hiring employer at any other time

Any job type is acceptable

Entity requirements

For-profit businesses of any size qualify

Tax-exempt organizations qualify for the veteran target groups only and can get a refund of payments made on Form 941

Work Opportunity Tax Credit services

Taking advantage of tax credits can be a full-time job. CLA works with employers to identify eligible employees, collect supporting information, submit the required tax forms, and compute the dollar amount of the credit.

We integrate technological solutions into your hiring process to minimize the time spent collecting the data. Our innovative, automated process will help you maximize your efficiencies.





FEDERAL EMPOWERMENT ZONE CREDIT

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Federal Empowerment Zone Credit

Provides businesses with an incentive to hire individuals who both live **and work** in an Empowerment Zone (EZ)

EZ = designated areas of high poverty and unemployment

Calculated on Form 8844 – Flows through to Form 3800 – General Business Credit

Credit is 20% of employer's qualified zone wages (up to \$15,000) paid or incurred during the calendar year for services performed

Credit is eligible every year for each employee

$$15,000 \times 20\% = \underline{\$3,000}$$

Any employer who pays "qualified zone wages" to a "qualified zone employee" for at least 90 days can claim the credit.

Location of the worksite is controlling rather than the company headquarters.

Execution

Reach out for potential
tax savings!

CLA works with employers to
identify eligible employees, collect
supporting information, submit the
required tax forms, and compute
the dollar amount of the credit.

Including:
Education &
Training Costs

Information Required for Credit Calculation	EE Name	Wages *calendar year	Start Dates	Termination Dates (if applicable)	Full Address of Employee
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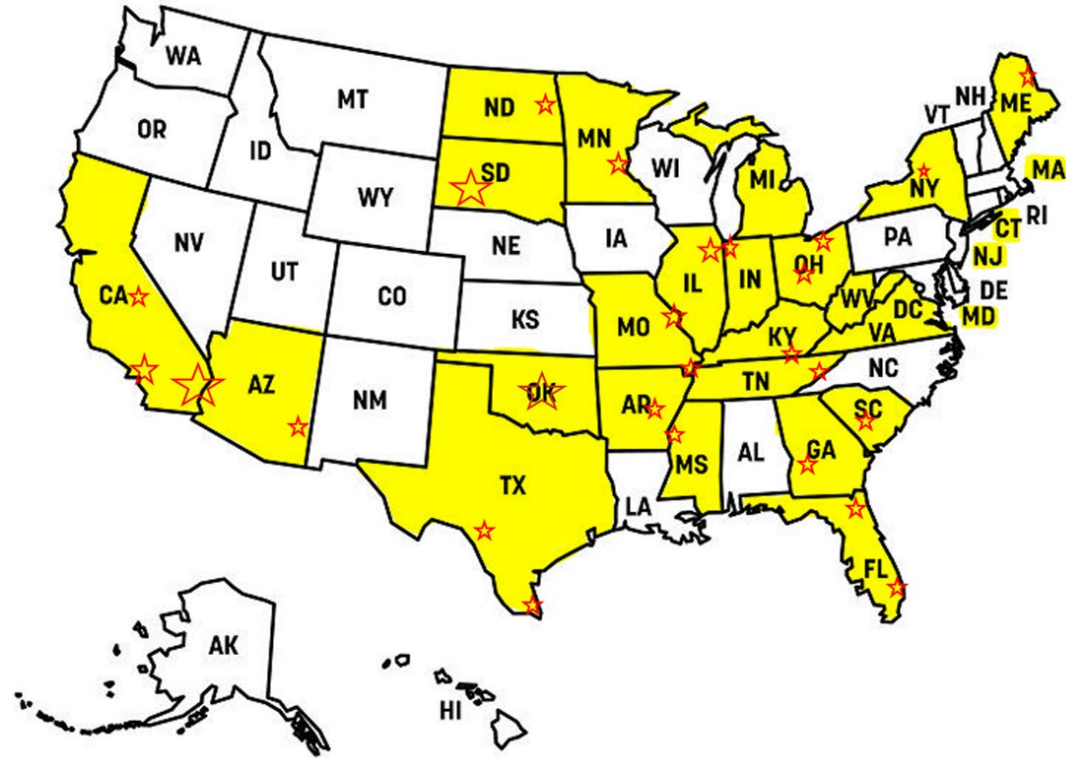
Where are the Empowerment Zones?

Parts of the following urban areas:

- Pulaski County, AR
- Tucson, AZ
- Fresno, CA
- Los Angeles, CA (city and county)
- Santa Ana, CA
- New Haven, CT
- Jacksonville, FL
- Miami/Dade County, FL
- Chicago, IL
- Gary/Hammond/East Chicago, IN
- Boston, MA
- Baltimore, MD
- Detroit, MI
- Minneapolis, MN
- St. Louis, MO/East St. Louis, IL
- Cumberland County, NJ
- New York, NY
- Syracuse, NY
- Yonkers, NY
- Cincinnati, OH
- Cleveland, OH
- Columbus, OH
- Oklahoma City, OK
- Philadelphia, PA/Camden, NJ
- Columbia/Sumter, SC
- Knoxville, TN
- El Paso, TX
- San Antonio, TX
- Norfolk/Portsmouth, VA

Parts of the following rural areas:

- Desert Communities, CA (part of Riverside County)
- Southwest Georgia United, GA (part of Crisp County and all of Dooly County)
- Southernmost Illinois Delta, IL (parts of Alexander and Johnson Counties and all of Pulaski County)
- Kentucky Highlands, KY (part of Wayne County and all of Clinton and Jackson Counties)
- Aroostook County, ME (part of Aroostook County)
- Mid-Delta, MS (parts of Bolivar, Holmes, Humphreys, Leflore, Sunflower, and Washington Counties)
- Griggs-Steele, ND (part of Griggs County and all of Steele County)
- Oglala Sioux Tribe, SD (parts of Jackson and Bennett Counties and all of Shannon County)
- Middle Rio Grande FUTURO Communities, TX (parts of Dimmit, Maverick, Uvalde, and Zavala Counties)
- Rio Grande Valley, TX (parts of Cameron, Hidalgo, Starr, and Willacy Counties)





EMPLOYEE RETENTION CREDIT

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Employee Retention Credit



The ERC is a fully refundable payroll tax credit for qualified wages (including allocable qualified health plan expenses) that eligible employers pay their employees.

For 2020, the credit amount is 50% of qualified wages (including allocable qualified health plan expenses) up to \$10,000 for the year for each eligible employee.

For 2021, the credit amount is 70% of qualified wages (including allocable qualified health plan expenses), up to \$10,000 per quarter for each eligible employee.

What organizations are eligible?

Fully or partially suspended operations due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings due to COVID-19; or

Experienced a significant decline in gross receipts during the calendar quarter

Have 3 years to amend from date of filing original 941



IRS Examination Considerations



Ability to prove that the employer experienced a significant decline in gross receipts or that they were subject to a full or partial suspension of operations.



If under a full or partial suspension of operations, the IRS may also request:

- a) Copy of the governmental order which caused the full or partial suspension of operations defined by Notice 2021-20 and others; and
- b) Records used to determine whether the order had a more than nominal effect on the employer's operations.



Computation of the average number of full-time employees in 2019. This will show whether the employer was a large employer subject to limitations of available wages.



Credit computations including wage amounts, and how qualified health plan expenses were computed.



If a member of an aggregated group, computations and calculations that determined there was an aggregated group and how aggregation affected the determination and allocation of the ERC.



If a PPP loan was received, calculations allocating wages to the PPP loan forgiveness and ERC.





QUESTIONS?

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