

WORK OPPORTUNITY TAX CREDIT



The Work Opportunity Tax Credit ("WOTC") is a federal tax credit designed to encourage employers to hire disadvantaged individuals from the specific targeted groups listed below who have encountered significant barriers to finding employment.

Target Groups & Credit Potential



WOTC is equal to up to 40% of the first \$6,000 in wages paid to an individual during their first year of employment, a maximum potential credit of \$2,400. The employer's wage deduction is reduced in the amount of the credit.

A reduced credit of 25% is available for individuals who work less than 400 but more than 120 hours.

For certain qualified veterans, up to \$24,000 in wages may be considered, resulting in a maximum credit of \$9,600.

Claiming the Credit

Employers must complete and file IRS Form 8850 with their state jobs agency within 28 days of the date of hire. The credit is claimed on IRS form 5884 or 5884-C for tax-exempt organizations hiring certain veterans and claiming the credit against their employment taxes. The state jobs agency must certify that the individual qualifies.*

Unused WOTC credits can be carried back one year or forward for up to twenty years.

*Synergi does not provide services to tax-exempt employers for WOTC.

Note: The above is intended to be a general overview and is not all encompassing of all rules and requirements of the credit. Synergi does not provide legal or tax advice and this material has been prepared for informational purposes only.

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