

Work Opportunity Credit



CPAs and Consultants

*Newsletter:
Volume 2009
Issue 1*

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One of the elements of the American Recovery and Reinvestment Act signed into law in February was the addition of two new “targeted groups” to the “Work Opportunity Credit”. This action prompted questions from a couple of clients: “What is the Work Opportunity Credit (WOTC)? And “How do we take advantage of it?” Good questions!

The WOTC is available for employers hiring individuals from one or more of eleven targeted groups. A few of the targeted groups are summer employees, qualified veterans, individuals on supplemental Security Income and members of families on food stamps or other assistance programs. The IRS provides Form 8850 Pre-Screening Notice and Certification Request for the Work Opportunity Credit to help you determine if you have members of a targeted group. An employer will typically include the form with the ordinary new hire paperwork and the notice on page two of the form that completion of the form is voluntary.

If the employee chooses to complete Form 8850 it must be submitted to the state workforce agency along with a certification form from the U.S. Department of Labor. If the state accepts the request, credits of up to \$9,000 per employee may be available to the employer!

The amount of the credit is determined by the amount of the hours worked by the individual and wages paid. Call us to get more information and a copy of Form 8850 to see if your new employee can actually save you tax dollars!