

L&I makes it easy for business to take advantage of available tax credits and federal bonds

Employer Hiring Incentives

The Work Opportunity Tax Credit and Federal Bonding Programs

Work Opportunity Tax Credit

The Pennsylvania Department of Labor & Industry (L&I) manages the federal Work Opportunity Tax Credit (WOTC) program, which enables employers to benefit from hiring individuals from specific targeted groups who are facing significant barriers to gaining employment. This program financially rewards employers for offering employment opportunities to these individuals.

The WOTC program has been extended to December 31, 2020. Additionally, the Empowerment Zones were extended retroactively from January 1, 2018 through December 31, 2020. Please continue to submit applications.

\$ Receive Financial Credits for Hiring From These Qualified Target Groups:

- Temporary Assistance for Needy Families (TANF) Recipients
- Qualified veterans (There are five categories of veterans eligible)
- Ex-Felons
- Designated Community Residents
- Vocational Rehabilitation referrals
- Summer Youth Employees
- Supplemental Nutrition Assistance Program (SNAP) Recipients
- Supplemental Security Income (SSI) Recipients
- Long-term Family Assistance Recipients
- Qualified Long-term Unemployment Recipients

WOTC Program Highlights:

- Any size business can participate.
- Minimal paperwork is needed to claim the tax credit.
- Employer makes the final hiring decision on candidates presented.
- Employer can hire as many qualified employees as are needed.
- Hire from 14 qualifying groups, which include 5 veteran categories.
- For-profit employers can reduce their federal income tax liability.
- Non-profit employers can reduce their Social Security tax.

The US Internal Revenue Service (IRS) may change target groups at any time. For the most current list of eligible employees and specific criteria for each, visit www.irs.gov.



How does WOTC work?

Before a business may claim the credit, it must obtain certification that an individual is a member of a targeted group. The employer **must file Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit through L&I within 28 days after the eligible worker begins work.**

Employers generally can earn a tax credit equal to 25% or 40% of a new employee's first-year wages, up to the maximum for the target group to which the employee belongs. Employers will earn 25% if the employee works at least 120 hours and 40% if the employee works at least 400 hours.

The tax credit is only available for a two-year period for employers who hire individuals from the long-term TANF target group and includes a higher maximum tax credit percentage:

- If the individual works at least 120 hours in the first year, the employer may claim a tax credit equal to 40% of first year wages, up to the maximum tax credit.
- If the individual works at least 400 hours in the second year, the employer may claim a tax credit equal to 50% of second year wages, up to the maximum tax credit.

Federal Bonding Program

The Federal Bonding Program created by the US Department of Labor (USDOL), is a unique hiring incentive tool, targeting individuals whose backgrounds can pose significant barriers to securing or retaining employment, including:

- Justice-involved citizens
- Individuals in recovery from substance use disorders
- Welfare recipients
- Individuals with poor credit records
- Economically disadvantaged youth and adults who lack work histories
- Individuals dishonorably discharged from the military

The federal bonds protect an employer or business against losses of property or money caused by the fraudulent or dishonest acts of a bonded employee. Employers receive the bonds free-of-charge as an incentive to hire these applicants. Each bond has a \$5,000 limit with a \$0 deductible and covers the first six months of a selected individual's employment. Information about the Federal Bonding Program can also be found at bonds4jobs.com or by calling us at 800.345.2555.

💰 Are You Leaving Money on the Table? Start Saving Today with these Tax Credit Programs:

To apply for WOTC, an employer or employer's representative must submit the IRS 8850 and ETA 9061 (or 9062, where applicable) within 28 days of the new hires' start date to L&I. Forms can be downloaded by visiting www.dli.pa.gov, and search keyword, "WOTC." Proof of mailing may be required. You may also submit applications electronically at www.cwds.pa.gov.

For assistance with the website or questions regarding the WOTC program, please call **800.345.2555** or email at RA-BWPO-TAXCREDITS@pa.gov.



*Auxiliary aids and services are available upon request to individuals with disabilities.
Equal Opportunity Employer/Program*