

Smart and Simple HR Solutions
WOTC | VOE | UI Claims | UI Tax | Workforce Analytics

Point-of-Hire Tax Credits

The Secret to Employee Retention

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Waltonmgt.com

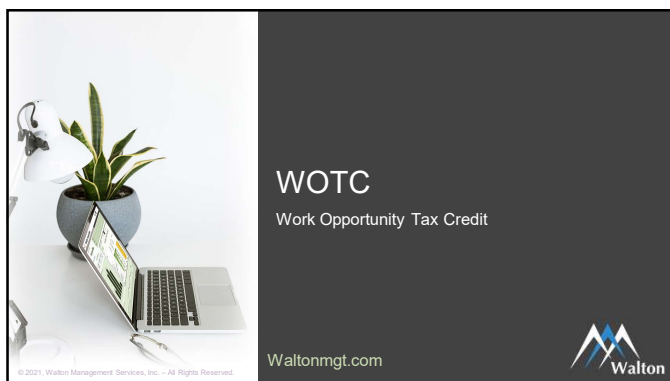
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Topics Covered

- Overview of the Work Opportunity Tax Credit (WOTC)
- COVID-19 Employee Retention Credit (ERC)
- Q&A

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WOTC

Work Opportunity Tax Credit

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Temporary Assistance to Needy Families Recipients

Up to

\$2,400

per certified individual

TANF Recipients

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[Next TANF Group](#)

Eligibility Criteria:

- Member of a household that received TANF for any 9 months during the 18-month period prior to hire date

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$3,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$3,000 wages earned within first year of employment, capped at **\$4,800**

Long-term TANF Recipients

Up to
\$9,000
per certified individual



TANF
Recipients

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Eligibility Criteria:

- Member of a household that received TANF for at least 18 consecutive months prior to hiring date; or
- Receives TANF payments for any 18 months after August 5, 1997, and the earliest 18-month period beginning after August 5, 1997, ended during the past 2 years; or
- Stopped being eligible for TANF payments due to maximum benefit allowance

How Credit is Calculated:

- 120-399 hours
 - Year 1 and 2 – Credit is 25% of first \$10,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$10,000 wages earned within first year of employment, capped at **\$4,000**
 - Year 2 – Credit is 40% of first \$10,000 wages earned within first year of employment, capped at **\$5,000**

Supplemental Nutritional Assistance Program Recipients

Up to
\$2,400
per certified individual



SNAP
Recipients

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Eligibility Criteria:

- Age 18-39
- Member of a household that has received SNAP benefits for the 6-month period ending on the hiring date; OR
- Is no longer eligible for such assistance, but the family received SNAP benefits for at least 3 months of the 5-month period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Designated Community Residents

Up to
\$2,400
per certified individual



Designated
Community
Residents

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Eligibility Criteria:

- Age 18-39
- Lives within an Empowerment zone or Rural Renewal County.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Veterans – SNAP Household

Up to
\$2,400
per certified individual



Veteran
(SNAP)

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[Next Veteran Group](#)

Eligibility Criteria:

- A veteran of the US Armed Forces that is also a member of a household that has received Supplemental Nutrition Assistance Program (SNAP) benefits (i.e. food stamps) for at least a 3-month period during the 15-month period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Veterans – Unemployed

Up to
\$2,400
per certified individual



Veteran
(SNAP)

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[Next Veteran Group](#)

Eligibility Criteria:

- A veteran of the US Armed Forces that is unemployed for a period or periods totaling at least 4 weeks (whether or not consecutive) but less than 6 months in the 1-year period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Veterans – Disabled

Up to
\$4,800
per certified individual



Veteran
(Disabled)

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[Next Veteran Group](#)

Eligibility Criteria:

- A veteran of the US Armed Forces that is entitled to compensation for a service-connected disability and is hired not more than 1 year after being discharged or released from service

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$12,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$12,000 wages earned within first year of employment, capped at **\$4,800**

Veterans – Long-term Unemployed

Up to
\$5,600
per certified individual



Veteran
(Long-term
Unemployed)

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[Next Veteran Group](#)

Eligibility Criteria:

- A veteran of the US Armed Forces that is unemployed for a period totalling at least 6 months (whether or not consecutive) in the 1-year period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$14,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$5,600**

Veterans –Unemployed & Disabled

Up to
\$9,600
per certified individual



Veteran
(Unemployed
& Disabled)

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Eligibility Criteria:

- A combination of Unemployed and Disabled veteran target groups

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$24,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$24,000 wages earned within first year of employment, capped at **\$9,600**

Long-term Unemployed

Up to
\$2,400
per certified individual



Long-term
Unemployed

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Eligibility Criteria:

- An individual who is in a period of unemployment that:
 - Is not less than 27 consecutive weeks, and
 - Includes a period (which may be less than 27 consecutive weeks) in which the individual received unemployment compensation

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

SSI Recipients

Up to
\$2,400
per certified individual



SSI
Recipients

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Eligibility Criteria:

- An individual who is receiving Supplemental Security Income benefits for any month ending during the 60-day period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Summer Youth

Up to
\$1,200
per certified individual



Summer
Youth

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Eligibility Criteria:

- Is only employed between May 1 and September 15
- Age: 16-17
- Must live in a federally designated Empowerment Zone, Enterprise or Rural Renewal Community

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$3,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$3,000 wages earned within first year of employment, capped at **\$1,200**

Vocational Rehabilitation Referrals

Up to
\$2,400
per certified individual



SSI
Recipients

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Eligibility Criteria:


- An individual who is receiving Supplemental Security Income benefits for any month ending during the 60-day period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**

Ex-Felons

Up to
\$2,400
per certified individual



SSI Recipients

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Eligibility Criteria:

- An individual who is receiving Supplemental Security Income benefits for any month ending during the 60-day period ending on the hiring date.

How Credit is Calculated:

- 120-399 hours
 - Credit is 25% of first \$6,000 wages earned within first year of employment
- 400+ hours
 - Credit is 40% of first \$6,000 wages earned within first year of employment, capped at **\$2,400**


IRS Form 8850

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Required Steps to Pursue WOTC




1
Pre-Screening

Employer must screen new hires on or before the date of the job offer, using [IRS Form 8850](#)




2
Form Filing

Employee must file a signed [Form 8850](#) with the State Workforce Agency within the employee's first 28 days



3
Certification

State Workforce Agency must issue a certification, confirming the individual is in fact member of a WOTC target group



4
Retention

Employee must work a minimum of 120 hours within their first year of employment.


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Who isn't Eligible for WOTC



**Select
Individuals**

- ✓ Relatives of business owner
- ✓ Re-hires
- ✓ Individuals without a social security card



**Tax Exempt
Organizations**

- ✓ Non-Profit Organizations
- ✓ Government Agencies
- ✓ Educational Institutions

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Examples of Savings

Company A

- Industry: **Food & Beverage**
- Annual New Hire Count: **1,000**
- WOTC Eligibility Percentage: **12%**
- Average Credit Value: **\$1,200**

Estimated WOTC:
\$72,000

Company B

- Industry: **Healthcare**
- Annual New Hire Count: **1,000**
- WOTC Eligibility Percentage: **20%**
- Average Credit Value: **\$1,200**


Estimated WOTC:
\$120,000



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Who benefits from WOTC




**1
Employees**

- ✓ Gains employment
- ✓ Works toward self-sufficiency
- ✓ Contributes to the economy



**2
Employers**

- ✓ Reduces federal tax liability
- ✓ Gains valuable employee
- ✓ Reduces turnover




**3
U.S. Government**

- ✓ Gets people employed
- ✓ Reduces costs
- ✓ Increases tax revenues by increasing taxpayer pool

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Recent Trends




**1
Program
Enhancements**

- ✓ E-signature of Form 8850
- ✓ Increased legislative attention



**2
Employer
Automation**

- ✓ Applicant Tracking Systems
- ✓ Onboarding Systems
- ✓ Payroll Integrations




**3
Government
Automation**

- ✓ Electronic transmission
- ✓ Increased access to data
- ✓ Improved turnaround


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Legislative Update – Proposed Changes to WOTC




**1
Credit Amount
Increase**

- ✓ From \$2,400 to \$10,000
- ✓ Ending on Dec 31, 2024



**2
Make WOTC a
2-year Credit**


- ✓ \$10,000 maximum potential
- ✓ Year 1 and 2: \$5,000



**3
Waives Rehires
Disqualification**

- ✓ Temporary waiver to make re-hires certifiable for WOTC


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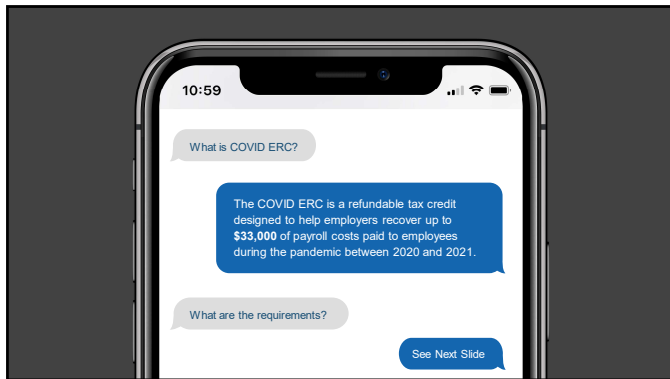
COVID-19 ERC

Employee Retention Credit

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Year-over-Year Program Details & Benefits		
	2020	2021
Qualified Wages Tracked	✓ 50% of wages paid	✓ 70% of wages paid
Year-over-year gross receipts reductions	✓ 50%	✓ 20%
Headcount criteria to track qualified wages (whether work was performed)	✓ 100 Employees	✓ 500 Employees
Ability to claim PPP Loan and ERC	✓ Not at the time	✓ Yes (Can now track for 2020 as well)
Credit amount	✓ Up to \$5,000 per qualified employee	✓ Up to \$28,000 per qualified employee

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Case Study: Walton Captures \$1MM+ in ERC


Situation	Solution	Outcome
 <ul style="list-style-type: none"> ✓ Fortune 500 manufacturing company, unaware if they qualified for COVID ERC 	 <ul style="list-style-type: none"> ✓ Walton determined client's impact from suppliers being suspended due to government mandate qualified them for ERC ✓ Their healthcare costs were also eligible to be tracked for credit during a furlough period. 	 <ul style="list-style-type: none"> ✓ Client received credits in excess of \$1 Million

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Case Study: Walton Captures \$350K+ in ERC

Situation	Solution	Outcome
 <ul style="list-style-type: none"> ✓ Restaurant Chain business based in Florida ✓ Lacked the experience or resources to determine if they qualified for COVID ERC 	 <ul style="list-style-type: none"> ✓ Walton's team researched state and county mandates to determine eligibility given this client's complex situation. ✓ Based on our extensive research it was determined they indeed qualified to take advantage of COVID ERC 	 <ul style="list-style-type: none"> ✓ Client received credits in excess of \$350K

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Questions?

Contact Us for a Free Demo/Consultation

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Thank You!

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