



TAX CREDIT TOPICS by MCKENZIE CHASE: Serving Business with Employer Tax Incentives since 1982

WOTC: Work Opportunity Tax Credit Program

Government Innovation Inspires History of Tax Credits in Business

WOTC has Roots in TJTC

In 1978, the Federal Government created the Targeted Jobs Tax Credit (TJTC) program to help employers obtain tax credits for hiring individuals who fell into specific “targeted groups” with special employment needs that historically had difficulty in entering the workforce. TJTC created employment opportunities for disadvantaged youths and Vietnam era veterans, food stamp recipients, individuals receiving federally sponsored Welfare (Aid to Families with Dependent Children, or ‘AFDC’) and the handicapped. The credit applied directly to the company’s income tax liability, providing tax savings of thousands, or even millions of dollars per year, depending on the company’s size.

*Are you getting
your fair share
of over **\$1 Billion**
in employer Tax
Credits Awarded
Annually?*



In order to take advantage of the generous savings, TJTC and WOTC required screening of the new hire workforce, and since 1981, timely filing of paperwork with the Department of Labor. Most employers did not want to be privy to the personal information required in the screening process, and recognized that they were not set up to meet the filing requirements from their hiring locations. As a result, an industry to assist employers to maximize tax credit savings was established.

McKenzie Chase Management (MCM) has been an industry leader since 1982.

*Are you leaving
Money
on the Table...
every year?*



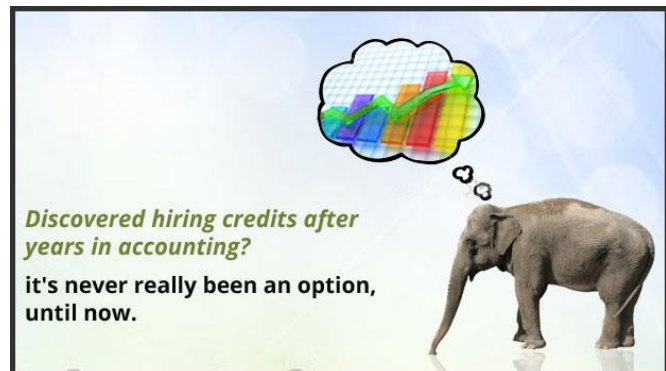
Since its inception, TJTC received bipartisan support in both houses of Congress and from all Presidents. It has, along with other business tax credits such as the Research &

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Development Credit, been a victim of political jockeying and budgetary battles and was always reauthorized temporarily in one-year or multi-year increments. Often the renewal occurred after the sunset date, but was always retroactive so long as the employer continued to follow the regulatory requirements, including timely filings of tax credit applications with the Department of Labor.

WOTC Replaces TJTC

At the end of 1994, Congress permanently ended TJTC, believing that the program had run its course for the targeted groups served by the initial legislation, but the credit was re-imagined during the next Congress to meet the needs of welfare reform legislation. When welfare reform was finally enacted in the late summer of 1996, Congress also passed WOTC as a successor credit, along with the companion Welfare-to-Work (WtW) credit. WOTC (click to read-up on WOTC) focused less on youth unemployment and more on moving Welfare recipients, food stamp recipients, residents of Empowerment Zones and disadvantaged veterans into the workforce. For most targeted groups, the initial credit was a maximum of \$2100 per qualified employee.



Since 1996, WOTC has been renewed continuously, but with the same pattern of short-term or multi-year extensions and inadvertent sunsets followed by retroactive and seamless reauthorizations. In addition, over the years Congress has expanded program by adding new permanent and temporary groups, moving existing credits into WOTC and increasing the credits to better serve the needs of some targeted groups.



Over the years, Congress has increased the core credit maximum from \$2100 to \$2400 per qualified employee. The WtW credit was folded into WOTC, and the maximum credit was increased from \$8500 to \$9000. To meet new economic and employment challenges, temporary groups were added, creating temporary targeted WOTC categories for areas affected directly by the World Trade Center attacks of 2001, areas affected by Hurricane Katrina in 2006 and high youth unemployment at the height of the recession in 2010.



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With the 2011 passage of **HR 674**, WOTC has become a vehicle to encourage employers to hire Veterans, also known as “Vow to Hire Heroes” or just “VOW”. Veterans hired under VOW can entitle Employers to a very generous maximum credit of up to \$9600 for each veteran hired, depending on their pre-employment circumstances. Later in 2011, the VOW provisions expanded the maximum credit employers can claim to up to \$24,000 in the first year of a veteran’s employment, while also making WOTC refundable, to a lesser degree, for certain tax-exempt employers.

Most recently, the 2015 Protecting Americans from Tax Hikes Act expanded the WOTC credit further to include workers on long-term unemployment benefits, and extending the WOTC for all eligible populations through the end of 2019.

Like other popular business incentives and IRC provisions, including the Research & Development Credit, WOTC provisions are technically of limited duration, even though the credit itself has been renewed consistently since its inception and most extensions include retroactive provisions. The current WOTC law applies to **wages paid to eligible workers hired before December 31, 2019**.

The WOTC provisions have offered substantial employment tax credits to organizations providing new work opportunities to qualified candidates from certain targeted groups. Discover which credits would be most profitable for your organization by contacting MCM today. Call us toll-free at (866) 547-8277, or Email MCM for your Complimentary Expert Tax Credit Call.

