



The Work Opportunity Tax Credit



What is the Work Opportunity Tax Credit?

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to businesses that hire individuals from targeted groups who have consistently faced significant barriers to employment. WOTC can be especially beneficial for employers with significant annual hiring and/or turnover. With a few exceptions, employers may generally receive up to \$2,400 in tax credits per eligible employee.

What is the advantage of the KPMG WOTC process?

The KPMG LLP (KPMG) WOTC process involves a tailored approach designed for each client's particular fact pattern. We seek to understand an organization's business practices, current hiring process, and technology infrastructure in order to properly design a practical day-to-day approach for securing

WOTC benefits. Integral to the process is teaming with the organization's human resource (HR), IT, payroll, and tax departments.

KPMG's WOTC clients are supported by KPMG's tax experience and the powerful processing tools of our third-party provider. Through KPMG's experience and processes, the average WOTC compliance rate for our clients is greater than 90 percent. Additionally, KPMG is able to obtain 96 percent of supporting documentation without having to burden the client.

KPMG offers three customizable screening methods:

- Online screening
- Phone-based screening
- Paper screening

KPMG is able to offer various pricing alternatives to meet specific client needs.

Overview of KPMG's WOTC process



Phase 1: Project setup

Meet with the organization's HR department to determine the most viable process for screening new employees to integrate with the organization's current hiring process.

Implement the selected method for gathering information by either using an IT solution and/or KPMG WOTC Starter Packets for capturing data from the company's new hires.



Phase 2: Certification

KPMG will prequalify employees for WOTC based upon information provided through the WOTC screening process.

KPMG's WOTC processing center receives Forms 8850, 9061, and W-11 from the HR department.

The WOTC processing center reviews completed forms for accuracy and determines if additional information is needed.

The WOTC processing center finalizes the forms and files documents with the applicable state workforce agencies (SWAs).



Phase 3: Credit calculation

The WOTC processing center tracks certifications received and follows up with SWAs, as necessary.

The company provides relevant payroll data to the processing center for calculation of the credits.

KPMG verifies employees are properly qualified.

KPMG calculates the credits, and our processing center reconciles calculations and pending certifications on a quarterly basis.



Phase 4: Tax form preparation and documentation

KPMG prepares the following:

- Applicable tax forms for tax returns
- Ongoing tracking and monitoring of employee certifications
- Annual audit binder with documentation supporting the claimed credit.






As part of our process, we also provide tax legislative updates to the organization as necessary.

What credit amounts may employers take?

The employer may generally claim a credit of 40 percent of qualifying first-year wages up to \$6,000 of an eligible new employee who works for 400 hours or more. If an employee works less than 400 hours but at least 120 hours, the credit is limited to 25 percent of the employee's first \$6,000 in wages. No credit is allowed for an employee that works

less than 120 hours. Unused credits may be carried back 1 year and forward for 20 years. WOTC can offset alternative minimum tax.

KPMG can help your company receive valuable tax benefits offered by the WOTC program. Targeted WOTC groups are listed in the below table.

| | Groups | Credit amount | Maximum credit | Time frame |
|---|---|--|-----------------|-------------------|
|  | General (qualified IV-A recipients ex-felons, vocational rehabilitation referrals, designated community residents, food stamp recipients, qualified SSI recipients, long-term unemployment recipient) | 40% of the first \$6,000 in qualifying wages or 25% of the first \$6,000 in qualifying wages | \$2,400 | Generally, 1 year |
|  | Summer youth (qualified summer youth employees) | 40% of the first \$3,000 in qualifying wages | \$1,200 | 90 days |
|  | Qualified veterans (amount depends on status) (tax-exempt entities also eligible to claim credit for veterans) | 40% or 25% of first \$6,000–\$24,000 in qualifying wages | \$2,400–\$9,600 | 1 year |
|  | Temporary Assistance for Needy Families (TANF) Year 1 (long-term TANF recipients, including welfare recipient families) | 40% or 25% of the first \$10,000 in qualifying wages | \$4,000 | 1 year |
|  | TANF Year 2 (long-term TANF recipients, including welfare recipient families) | 50% or 25% of the first \$10,000 in qualifying wages | \$5,000 | 1 year |

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