

Career Builders

By Deborah Spalding

Wage Tax Credits...A Primer for Employers

With the unemployment rates in our two counties below state and national averages, local employers are increasingly having a difficult time filling their job openings. Wage tax credits can expand an employer's applicant pool and can bring thousands of dollars to an organization's bottom line.

Wage tax credits are incentives to encourage employers to hire particular candidates who meet certain criteria. These candidates are usually referred to as "targeted." Plainly speaking, a for-profit business is allowed a credit against its corporate tax return when that business hires certain targeted individuals. Targeted groups usually include veterans, disabled workers, persons in low-income groups, ex-felons and several other categories.

The federal government offers two wage tax credits. One is called the Work Opportunity Tax Credit (WOTC). Targeted groups include persons on Temporary Assistance for Needy Families (TANF), qualified food stamp recipients, individuals receiving vocational rehabilitation services, youth that fall into certain high-risk categories, veterans that fall into certain categories, and ex-felons. A full-time employee who works a minimum of 400 hours can help an employer qualify for up to \$2,400 of credit.

The other tax credit is specifically for TANF recipients. Eligibility for the Welfare-To-Work (WTW) credit includes TANF recipients receiving benefits for 18 consecutive months prior to the day they start working and/or exceeding the TANF benefit eligibility time limit. This wage tax credit can be a maximum of \$5,000, but cannot be taken in the same year as the WOTC. The paperwork employers must complete for both of these programs is minimal, but it must be submitted to the government within 21 days of the employee's start date.

New York State offers additional wage tax credits. The Workers with Disabilities Employment Tax Credit (WETC) targets workers who are receiving vocational rehabilitation services from official state rehabilitation offices, including VESID and the Commission for the Blind. Maximum credit is \$1,500, but this may be taken *in addition* to WOTC or WTW federal credit.

The Empire Zone Wage Tax credit is specifically for employers that are located in a designated Empire Zone. Employers can take a \$1,500 credit for each new job that they create after the company has been designated as an Empire Zone company. No paperwork or forms are necessary. The only criterion is that the job be *newly created*. A second tier of credit is also available for targeted workers. Applicable groups include economically disadvantaged workers, public assistance recipients, honorably discharged veterans, displaced workers and other WOTC categories. This credit adds an additional \$1,500 per year, per worker, for up to five years. However, the worker must be employed for six months and must be earning at least 135 percent of the minimum wage to be eligible.

Employers sometimes wonder how they can obtain this sensitive information from job applicants or recently hired employees. There are a couple of methods that can be used to try to obtain this information.

During job interviews, employers should inquire about gaps in employment. These are perfectly legal questions and the loss of employment, or periods of unemployment, can be a hint that the applicant falls into a targeted category. In addition, many savvy jobseekers have been coached to tell potential employers that they fall into targeted categories that qualify for a wage tax credit.

After a hiring decision has been made, employers can include wage tax credit forms with their new hire/orientation forms as standard practice. If an employee balks at completing these forms, they can be reassured that it is voluntary and not a requirement. Employers can also assure confidentiality of a newly hired employee's information by including the appropriate mailing envelope with these forms. That way, the employee's wage and tax credit information is sent directly to the processor, which can either be the employer's Accounting Division, the Department of Labor or some other entity.

Incorporating wage tax credit activities as part of a businesses hiring and accounting procedures is a surprisingly uncomplicated process that takes limited time and effort. In return, a business can enter into a win-win situation with a job seeker and save thousands of dollars at the same time.

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