



Eye On Washington

Legislative Update



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Work Opportunity Tax Credit (WOTC) Program Extended and New “Long-term Unemployed” Category Established

On December 18, 2015, President Obama signed the Omnibus Spending Bill H.R. 2029 and the PATH Act (Protecting Americans from Tax Hikes Act of 2015) into law, which provides a five-year extension to the Work Opportunity Tax Credit (WOTC) program.

Background

WOTC is a tax incentive program designed to encourage employers to hire and retain individuals from specific target groups with employment barriers. These groups include Veterans of War (VOW), Empowerment Zone residents, welfare and food stamp recipients, and others. New to WOTC is the “long-term unemployed” category. Long-term unemployed recipients are defined as individuals who are unemployed for not less than 27 consecutive weeks and received unemployment compensation for a period of time under state or federal law. This new category is effective for employees who start work after December 31, 2015.

What This Means for Employers

Managing the WOTC program can be complicated and many businesses may not know they can qualify for a tax credit of up to \$9,600 per eligible employee during the first year of employment through this program. Adding a new category increases the potential for a greater number of applicants to qualify under the WOTC program.

What Actions You Should Take

We encourage employers to have job applicants screened for eligibility under the WOTC program, incorporating this new category into their process.

Employers should continue to submit Form 8850 for job applicants hired after December 31, 2015. In addition to Form 8850, employers need to submit the Department of Labor’s Employment and Training Administration (ETA) Form 9061 or ETA Form 9062 for any employees conditionally certified as belonging to a WOTC target group by a state workforce agency, vocational rehabilitation agency, or another participating agency. In August 2015, the Office of Management and Budget (OMB) extended the expiration of these forms through August 31, 2018. The forms with updated expiration dates can be found [here](#), or employers are allowed to submit expired 2015 forms, as the extension did not include any substantive edits to the 2015 forms.

We recommend employers continue to work closely with their tax credits team to ensure all necessary supporting documentation is being submitted in a timely manner.

ADP Compliance Resources

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