



Eye On Washington

Legislative Update



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Legislative Trends: Understanding Tax Credits, Part 4: Work Opportunity Tax Credit (WOTC) Continued

Eye on Washington's series focuses on the latest HR regulatory trends taking place at the federal, state and local levels. Topics include tax and HR compliance, Health Care Reform, payroll, benefits, leaves, reporting obligations, and more.

The federal government offers several tax credits to help businesses lower their tax liability by hiring candidates from targeted groups. Federal tax credits also include the Empowerment Zone Employment Credit, Indian Employment Credit and additional federal economic development incentives. Many states offer tax credits and incentives that focus on training, growth and new employment. Finding available tax credits and incentives for which your business is eligible mainly touches upon the disciplines of tax, accounting, legal and HR, but it can also impact hiring managers. Where to open a new retail, service or manufacturing facility, for instance, entails a close look at potential tax credits, as well as other factors.

In **Part 1** of our series on understanding tax credits, we focused on the background and opportunity for employers in connection with the federal Work Opportunity Tax Credit (WOTC) program. In Parts 2 and 3, we addressed the **Research & Development Tax Credits** and **Hurricane Disaster Area Employee Retention Credits**. In Part 4, we're revisiting WOTC, focusing on the different responsibilities of HR and finance and how collaboration between these teams can help streamline the WOTC process.

Streamlining Through Collaboration

The manual process of screening and seeking certification of eligible employees has historically been regarded as cumbersome, based on the original requirement for signed paper documents from each employee. Today, however, the process can be streamlined by integrating it into an automated, digital recruiting and onboarding process that virtually eliminates the need for paper or manual processing.

One of the final lynchpins to help ensure that companies could automate and digitize their WOTC processes was the issuance of IRS guidance permitting electronic signatures on the IRS **Form 8850**, helping to relieve the burden from employers of obtaining and submitting physically signed paper documents.¹

Obstacles related to paper forms and manual submissions are relatively easy to resolve. With those bottlenecks removed, best practices related to communication and collaboration among HR, finance and IT hold the key to timely screening for eligible applicants, submitting required documentation, and monitoring WOTC program results in a way that supports the company's overall tax strategy.

HR generally owns the job application process, which is where the opportunity lies to gather the required data to screen applicants for WOTC eligibility. Working with IT and finance, HR can help ensure that the right systems (including applicant tracking, human capital management (HCM), and payroll systems) are integrated to capture the applicable information, with appropriate visibility to HR and finance/tax planning personnel.

¹ Source: [IRS Notice 2012-13](#)

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Human Resources Responsibilities	Finance Responsibilities
Credits involve timely assessing of applicants for eligibility	Tax credits appear on the corporate tax returns (state or federal)
Underlying data is extremely important	Tax credits can be used to help reduce estimated tax payments
Tax credit capture is often linked with HR workflows	Tax credits are a dollar-for-dollar reduction of income tax liability

Finance leverages data relating to the company's WOTC program, including applicant eligibility and employee certification rates, to help them closely monitor and forecast tax credits, while projecting the company's total tax liability and cash flow.

Another integral party in the WOTC process is the job applicant/employee, who can benefit from an enhanced experience during application submission and onboarding when all stakeholders, systems and processes are aligned.

Review Program Administration

To help make the collaboration between these teams easier, you may want to consider adding WOTC screening to your existing Applicant Tracking System program. For example, a pre-built job applicant screening solution can help ensure you're screening your applicants and completing the full WOTC process in a timely manner in accordance with program requirements. A robust solution with multiple screening methods (including mobile) can help you take better advantage of the WOTC program.

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

ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP Eye on Washington Web page located at www.adp.com/regulatorynews.

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