

# Work Opportunity Tax Credits Must Act Fast!

The recent **Protecting Americans from Tax Hikes Act of 2015** (the PATH Act) retroactively extended the expiring **Work Opportunity Tax Credits (WOTC)** credits **from January 1, 2015 through December 31, 2019**. These credits are based on hiring certain targeted individuals including veterans, those that receive food stamps, and those who live in "empowerment" zones. The credits are fairly beneficial, typically yielding a \$2,400 credit for most of the targeted individuals but can grow to up to \$9,600 in certain cases. The challenge with these credits is that you need to identify the qualified individuals at the time you hire, and normally they only give you up to 28 days from the time of hiring to get them certified with the Department of Economic Security. You can access the list of employees who are eligible for the tax credit here: <http://www.doleta.gov/business/incentives/opptax/eligible.cfm>

The PATH Act also introduced a new target group, the Qualified Long-term Unemployment Recipients. The code defines a qualified long-term unemployment recipient as any individual who is certified by the Arizona Department of Economic Security (DES) as being in a period of unemployment which is not less than 27 consecutive weeks and includes a period in which the individual was receiving unemployment compensation.

This retroactive extension made things very difficult in that employers hired eligible workers in 2015 before they knew the workers could qualify for the WOTC and therefore didn't know they needed to obtain the necessary paperwork.

**Employees Must Be Certified.** In general, under the WOTC rules, an individual isn't treated as a member of a targeted group unless:

1. By the day the individual begins work, the employer has received certification from the State Employment Security Agency (SESA – i.e. the Arizona DES) that the individual is a member of a targeted group, or
2. The employer completes a Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity Credit) on or before the day the individual is offered a job and submits the Form 8850 to the SESA by the 28th calendar day after the individual begins work.

Obviously, this certification requirement could not have been met for workers hired in 2015 as employers had no way of knowing it would be needed. Also, certification couldn't be submitted for qualified long-term unemployment recipients in early 2016 because Form 8850 had not yet been revised.

However, the good news is that the IRS has provided employers additional time to comply with the certification requirements. According to Notice 2016-22, employers have **until September 28, 2016** to submit Form 8850 to the DES to request certification for eligible workers who begin work for the employer after 2014 (2015 for qualified long-term unemployment recipients) and before August 31, 2016. Form 8850 has now been revised to include qualified long-term unemployment recipients.