

# How to Effectively Claim the Work Opportunity Tax Credit

*The Work Opportunity Tax Credit (WOTC) can lower a company's overall business tax bill depending on the types of employees they hire.*

DAVENPORT, IOWA, UNITED STATES, June 6, 2023 /EINPresswire.com/ -- [Tax Credit Group](#) works with businesses to leverage the Work Opportunity Tax Credit (WOTC) as a valuable incentive tool to potentially reduce tax liability while making a positive impact in the community. As a small business owner, businesses have the opportunity to uncover the immense benefits and potential that tax credits can have on their business. In this article, we'll break down the basics of the WOTC and explain how it can benefit a business and the individuals they employ.



Businesses can benefit from the WOTC based on the employees they hire.

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*Jaret Loney, Tax Credit Group*

“The first step in claiming the WOTC is to determine whether an employee falls into one of the [targeted groups specified by the IRS](#).” Said Jaret Loney, Manager, Tax Credit Group. “Then we work with the business to understand the processes for filing each of these incentive programs.”

The targeted IRS groups include qualified IV-A recipients, qualified veterans, qualified ex-felons, designated

community residents, vocational rehabilitation referrals, summer youth employees, SNAP recipients, Supplemental Security Income recipients, long-term family assistance recipients, and qualified long-term unemployment recipients.

## Apply for Certification

To certify that an employee qualifies for the WOTC, you need to submit these forms to the state workforce agency (SWA) in your state within 28 calendar days from the employee's start date.

1. Have the job applicant complete Form 8850 before or on the day of making a job offer.
2. Complete the remaining sections of Form 8850 at the time of the job offer.
3. Fill out the conditional certification Form 9061 (or request Form 9062 if the applicant already has it).
4. Check to see if any additional forms are required for the applicant's specific targeted group.
5. The SWA will provide you with a letter confirming the employee's eligibility or denial.

#### Tax Credit Calculation

Once an employee is certified as eligible for the WOTC, you need to determine the qualified wages that can be considered for the tax credit.

Qualified wages are the wages on which you paid Federal Unemployment Tax Act (FUTA) tax during the employee's first year of work. However,

wages paid while receiving payment from a federal on-the-job training program or reduced by Social Security Act payments should be excluded.

Additionally, you need to identify the maximum allowable wages for each employee category, which depend on the target group. These limits can be found in the IRS instructions for [Form 5884](#).

#### Claim the Work Opportunity Tax Credit

1. Use Form 5884 (or Form 5884-C for tax-exempt organizations that hired qualified veterans) to calculate the allowable credit based on the qualified wages determined in your tax credit calculation.
2. Enter the maximum allowable wage on Form 5884, Line 1A (for employees working between 120 and 400 hours) or Line 2 (for employees working more than 400 hours).
3. Transfer the calculated credit to Form 3800, General Business Credit, which will be filed with your business tax returns.
4. Keep a record of the certification and all supporting documentation for future reference and potential audits.



Jaret Loney, CPA, CMA, EA. Manager, Business at Tax Credit Services



Successfully claiming the Work Opportunity Tax Credit can result in significant tax savings for your business while fostering employment opportunities for individuals from targeted groups. By following the steps outlined in this guide, you can navigate the process with confidence and maximize the benefits of the WOTC program.

#### Let Tax Credit Group Help

Tax Credit Group specializes in helping businesses identify and claim various tax credits and incentives. Contact their team of experts at <https://www.taxcreditgroup.com/contact/> or call them at 563-583-2115 to streamline the WOTC process and ensure you receive the maximum benefit from this valuable tax credit.

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