

## On the Work Opportunity Tax Credit

**MYTH:** Employers have no federal income tax advantage by hiring an ex-felon.

**FACT:** Employers can save money on their federal income taxes in the form of a tax credit incentive through the Work Opportunity Tax Credit (WOTC) program by hiring ex-felons. An ex-felon under WOTC is an individual who has been convicted of a felony under any statute of the United States or any State, and has a hiring date which is within one year from the date of conviction or release from prison.

The main objective of this program is to enable certified employees to gradually move from economic instability to self-sufficiency as they earn a steady income and become contributing taxpayers. At the same time, participating employers are compensated by being able to reduce their federal income tax liability. The Work Opportunity Tax Credit program (WOTC) joins other workforce programs that help incentivize workplace diversity and facilitate access to good jobs for American workers.

**THE WOTC:** For each new FIP hired, the credit is 25% of qualified first year wages for those employed at least 120 hours, or \$1,500; and 40% for those employed 400 hours or more, or \$2,400.

**TARGET GROUPS:** The WOTC is a federal tax credit used to reduce the federal tax liability of private for profit employers. The WOTC is available to certain tax-exempt organizations as well. Employers can hire individuals from the following 9 target groups, which have traditionally faced significant barriers to employment:

- Qualified TANF Recipients
- Qualified Veterans
- Qualified Formerly Incarcerated Individuals
- Qualified Designated Community Residents (DCR)
- Qualified Vocational Rehabilitation Referrals
- Qualified Summer Youth
- Qualified Food Stamp Recipients

- Qualified Supplemental Security Income (SSI) Recipients

**APPLICATION PROCESS:** There's no limit to the number of "new" FIP an employer can hire to benefit from these tax savings. Employers apply for and receive a WOTC certification for each new hire from their State Workforce Agencies. There's minimal paperwork needed to qualify and claim the tax credit!

### For More Information

US Department of Labor, WOTC overview  
<https://www.dol.gov/agencies/eta/wotc>

"Employment and Training Administration WOTC Fact Sheet"  
[https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/WOTC\\_Fact\\_Sheet.pdf](https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/WOTC_Fact_Sheet.pdf)