

Work Opportunity Tax Credit

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September 26, 2017 | 2017-R-0182

Issue

This report discusses the Work Opportunity Tax Credit (WOTC), including how the credit is calculated for employers of Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) recipients.

WOTC Overview

The WOTC is a federal tax credit that employers can claim for hiring certain individuals such as SNAP recipients, TANF recipients, veterans, and ex-felons, among others. For SNAP and TANF recipients, the credit ranges from \$1,500 to \$5,000 and is a nonrefundable credit (i.e., the employer must have some tax liability to claim it). Generally, the credit is only available for the first year of employment, except for certain TANF recipients, for which employers can claim the credit a second year. The employer can claim the credit back one tax year or forward up to 20 tax years. More information is available on [the U.S. Department of Labor website](#).

Credit Calculation

The credit is based on the (1) number of hours the employee worked in the first year, (2) employee's qualified wages, and (3) employee's eligibility category. Table 1 shows maximum credits for TANF and SNAP recipients. Under this program, a long-term TANF recipient is a member of a family that received TANF assistance for the past 18 months or exhausted TANF benefits in the last two years.

Table 1: WOTC Calculation for TANF and SNAP Recipients

Category	Maximum WOTC-Eligible Wages	Maximum WOTC Credit	
		Worked at least 120 hours in the first year	Worked at least 400 hours in the first year
TANF recipients	\$6,000	25% (\$1,500)	40% (\$2,400)
Long-term TANF recipients	\$10,000 per year for up to two years	N/A*	40% (\$4,000) in year 1 50% (\$5,000) in year 2
SNAP recipients	\$6,000	25% (\$1,500)	40% (\$2,400)

* Long-term TANF recipients must work at least 400 hours in order for the employer to claim the credit.

Claiming Credits and State Administration

To claim the WOTC, the employer must send required forms to the state’s WOTC coordinator within 28 days after the new hire starts working. States must verify that the individual is a member of an eligible group and notify the employer when and if the application is certified. Once the new hire is certified, the employer may claim the WOTC as part of the General Business Credit. States receive grants from the U.S. Department of Labor for administrative costs of processing WOTC applications.

According to DOL staff, Connecticut’s WOTC office has two full time staff to process applications. Verifying information to certify an applicant as a member of an eligible category (e.g., veteran, SNAP recipient, ex-felon) can be a manual process that requires collecting information across various state agencies. According to DOL, over the past several years, applications have gone up while federal funding has decreased, as shown in Figures 1 and 2, and the office has a significant backlog of applications. DOL staff working on the Jobs First Employment Services program may market the credit to employers. In practice, large employers may contract with consultants to apply for the credit on their behalf.

Figure 1: WOTC Applications Received in Connecticut

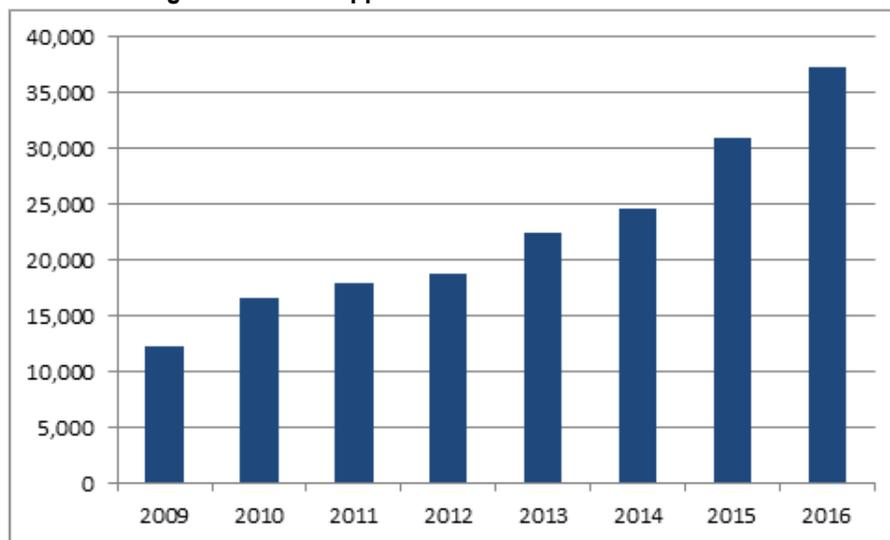
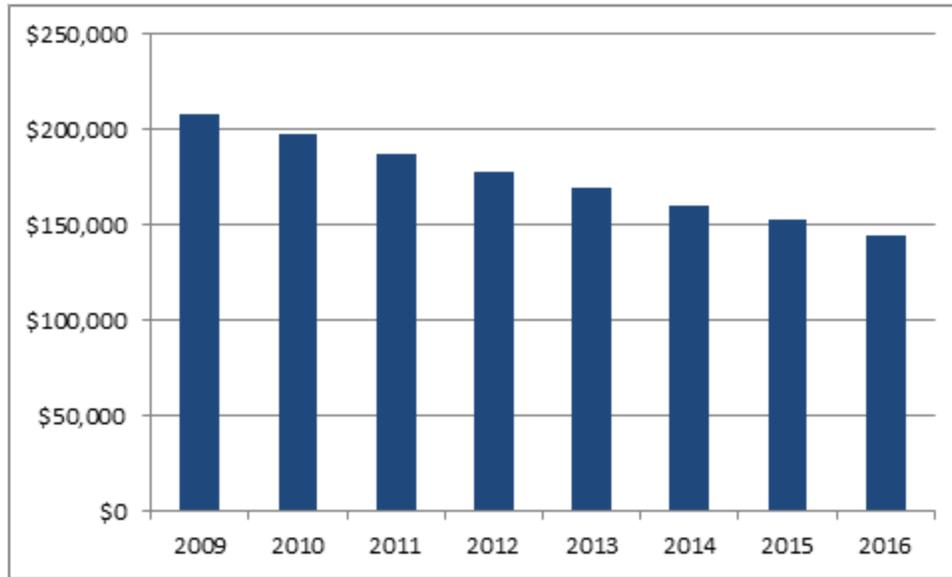


Figure 2: Federal Funding for Connecticut WOTC Processing



WOTC Credits for SNAP and TANF Recipients in Connecticut

DOL staff provided the information in Table 2. The WOTC program year (PY) is from October 1 to September 30. 2017 data is for the first six months of the program year (October 1 to March 31).

Table 2: Connecticut Applications and Certifications

	PY 2014	PY 2015	PY 2016	PY 2017 (partial)
Office Totals				
Applications received	24,704	30,934	37,279	16,250
Total certifications	10,038	4,836	5,193	4,080
Certifications in Each Category				
SNAP	6,755	3,800	3,951	2,888
TANF	887	181	299	226
Long-term TANF	1,087	254	313	220

Resources

Congressional Research Service, [The Work Opportunity Tax Credit](#), March 2016.

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