



Montana Department of LABOR & INDUSTRY

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2 Division: Workforce Services Division
3 Category: Job Service Operations
4 Effective Date: 07/01/2021
5 Last Revised:
6 Policy No.: 02 - 20

7 Work Opportunity Tax Credit (WOTC) Policy

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9 **Background:** The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers. WOTC
10 reduces a business's tax liability and is an incentive to hire individuals from certain target groups who face
11 barriers to employment. Administered by the U.S. Department of Labor (USDOL), WOTC is one of several
12 workforce development programs that promote diversity in the workplace and access to jobs.

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14 **Scope:** This policy applies to Job Service Montana workforce consultants, managers and supervisors;
15 Montana Department of Labor & Industry's (MDLI) Workforce Services Division fiscal officers and monitoring
16 team; and the WOTC Program Manager.
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18 Policy:

19 Before an employer may claim the WOTC, they must obtain certification that the job applicant is a first-time,
20 qualifying member of an eligible target group.

21 22 A. Employers

- 23 • **For-profit** employers potentially qualify for the WOTC federal tax credit, if they hire qualified individuals
24 under **any** of the targeted groups (Veterans, Disabled Vet, VR, SSI, SNAP, TANF, Ex-Felons, etc.).
- 25 • **Non-profit** employers only qualify for the federal tax credit when they hire a qualified Veteran or Disabled
26 Veteran. No other target group applies.

27 B. Eligible Target Groups

- 28 • The WOTC target groups are defined as:
 - 29 ○ Qualified recipients of Aid to Families with Dependent Children (AFDC) or Temporary Assistance
30 to Needy Families (TANF)
 - 31 ○ Qualified Veterans
 - 32 ○ Qualified Disabled Veterans
 - 33 ○ Qualified Unemployed Veterans
 - 34 ○ Qualified Ex-Felons
 - 35 ○ Qualified Designated Community Resident
 - 36 ○ Qualified Vocational Rehabilitation recipient
 - 37 ○ Qualified Supplemental Nutritional Assistance Program (SNAP) (Food Stamps) Recipient
 - 38 ○ Qualified Supplemental Security Income (SSI) Recipient

- 39 ○ Qualified Long-term Family Assistance (AFDC/TANF) Recipient
- 40 ○ Qualified Long-Term Unemployment Recipient

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42 **C. Certification Request**

- 43 • To receive a potential WOTC certification, an employer or employer representative must complete and
- 44 submit a Pre-Screening Notice & Certification Request (IRS 8850) within 28 days of the new hire’s start
- 45 date and;
- 46 • An Individual Characteristics Form (ETA 9061). A Spanish version of ETA Form 9061 is available for
- 47 translation purposes only.
- 48 • Submit both forms (IRS 8850 & ETA 9061) within **28 days** of the employee’s start date. Forms can be
- 49 submitted online or via regular mail (No Faxes or Email). Submit Online at **MontanaWorks.gov** (Register &
- 50 Create WOTC Account) or via regular mail at Montana Department of Labor & Industry, WOTC Unit – PO
- 51 BOX 1728, Helena MT 59624-1728. Additional information available at
- 52 <https://wsd.dli.mt.gov/employers/wotc>
- 53 • Additional documents and U.S. Department of Labor (USDOL) resources are available at
- 54 <https://www.dol.gov/agencies/eta/wotc>
- 55 • For additional IRS-related information about WOTC and eligible target groups please refer to
- 56 <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>

57 **D. Calculating the Tax Credit**

58 Under the WOTC program, the tax credit amount depends on employee retention. The calculations for most
 59 target groups are based on qualified wages paid to the employee for the first year of employment. After the
 60 required certification is secured, taxable employers (for-profit) claim the tax credit as a general business credit
 61 on their income tax by filing an IRS Form 5884 while tax-exempt (non-profit) employers claim the credit against
 62 their social security tax by filing IRS Form 5884C.

63 **Target-Group Table**

Veteran Target Group (Served 180 days-Active Duty)	Worked at least 120 hours but less than 400 hours	Worked at least 400 hours
Veteran & received SNAP (food stamps) benefits	Private-Sector - Up to \$1,500 (25% of \$6,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$975 (16.25% of \$6,000-first-year wages)	Private-Sector - Up to \$2,400 (40% of \$6,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$1,560 (26% of \$6,000-first-year wages)
**Disabled Veteran (DV)- Entitled to compensation for service-connected disability:		
DV - Discharged or released from active duty during the past year.	Private-Sector - Up to \$3,000 (25% of \$12,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$1,950 (16.25% of \$12,000-first-year wages)	Private-Sector - Up to \$4,800 (40% of \$12,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$3,120 (26% of \$12,000-first-year wages)
DV - Unemployed at least 6 months	Private-Sector - Up to \$6,000 (25% of \$24,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$3,900 (16.25% of \$24,000-first-year wages)	Private-Sector - Up to \$9,600 (40% of \$24,000 of first-year wages) Tax Exempt (Veterans Only) - Up to \$6,240 (26% of \$24,000-first-year wages)
**Unemployed Veteran (UV): (Served 180 days-Active Duty)		
UV - Unemployed - at least 4 weeks but less than 6 months during past year.	Private-Sector -Up to \$1,500 (25% of \$6,000 of first-year wages)	Private-Sector - Up to \$ 2,400 (40% of \$6,000 of first-year wages) Tax Exempt (Veterans Only)

	Tax Exempt (Veterans Only) – Up to \$975 (16.25% of \$6,000-first-year wages)	– Up to \$1,560 (26% of \$6,000-first-year wages)
UV - Unemployed – over 6 months during past year.	Private-Sector - Up to \$ 3,500 (25% of \$14,000 of first-year wages) Tax Exempt (Veterans Only) – Up to \$2,275 (16.25% of \$14,000-first-year wages)	Private-Sector - Up to \$5,600 (40% of \$14,000 of first-year wages) Tax Exempt (Veterans Only) – Up to \$3,640 (26% of \$14,000-first-year wages)

64 **Other WOTC Target Groups**

Short-Term TANF Recipient	Up to \$1,500 (25% of \$6,000 of first-year wages)	Up to \$2,400 (40% of \$ of first-year wages)
Long-Term TANF Recipient	Up to \$4000 (40% of \$10,000 of first-year wages)	Up to \$5,000 (over 2 years) (50% of \$10,000 of second-year wages)
SNAP (food stamp) Recipient	Up to \$1,500 (25% of \$6,000 of first-year wages)	Up to \$2,400 (40% of \$6,000 of first-year wages)
Designated Community Resident Empowerment Zones (Expired 12/31/2016)	Up to \$1,500 (25% of \$6,000 of first-year wages)	Up to \$2,400 (40% of \$6,000 of first-year wages)
Vocational Rehabilitation Referral	Up to \$1,500 (25% of \$6,000 of first-year wages)	Up to \$2,400 (40% of \$6,000 of first-year wages)
Ex-Felon	Up to \$1,500 (25% of \$6,000 of first-year wages)	Up to \$2,400 (40% of \$6,000 of first-year wages)
SSI Recipient	Up to \$1,500 (25% of \$6000 of first-year wages)	Up to \$2,400 (40% of \$6000 of first-year wages)
Summer Youth Employee (16 or 17 yrs. old, work between May 1 and Sept. 15 and live in an empowerment zone – Empowerment Zones expired 12/31/16)	Up to \$750 (25% of \$3000 of first-year wages)	Up to \$1,200 (40% of \$3000 of first-year wages)
Long Term Unemployed Recipient	Up to \$1,500 (25% of \$6000 of first-year wages)	Up to \$2,400 (40% of \$6000 of first-year wages)

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66 **E. Responding to a Request for More Information**

67 When an incomplete WOTC application is submitted by the employer, MDLI's Workforce Services Division
68 WOTC Program Manager will send a needs request letter to the employer or employer representative. The
69 employer must respond within 90 days or the application will be denied.

70 **F. Requesting a Claim Reconsideration**

71 When a WOTC application is denied the employer may request a claim reconsideration from the Workforce
72 Services Division WOTC Program Manager for a specific target group. In order to be processed, the request
73 must include supporting documentation for the applicable target group. Reconsideration requests must be
74 submitted within one-year from date of denial; based on the required retention period of original data.

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76 **Administrative Requirements:**

77 **A. General Administration**

78 MDLI's Workforce Services Division responsibilities include:

- 79 • Implementing the certification process and issuing final determinations to employers or their authorized
80 representative; with technical assistance provided by the WOTC Program Manager as needed.
- 81 • Promoting the WOTC program to employers.
- 82 • Reducing and eliminating existing backlogs.
- 83 • Reporting performance data and expenditures quarterly.
- 84 • Additional responsibilities outlined in WOTC Statement of Work.

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B. Appeals Resolution Process

- MDLI’s Workforce Services Division staff will be available to resolve issues as they arise.
- Issues that can not be resolved by MDLI’s Workforce Services Division staff must be submitted in writing to USDOL’s Employment and Training Administration (ETA) Office for Region 4 at:
 - c/o WOTC Regional Coordinator
525 S Griffin St 3RD FL
Dallas, TX 75202
972-850-4631
Fax: 972-850-4620
Email: Mejia.Eva@dol.gov

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Monitoring and Evaluation:

MDLI’s Workforce Services Division monitoring of the WOTC program will include:

- Verification of the eligibility of a random sample of individuals certified under WOTC; and
- WOTC Program Manager’s technical assistance to remedy results if necessary.

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References:

- [USDOL: How to File A Certification Request](#)
- [USDOL: Work Opportunity Tax Credit Fact Sheet](#)
- [IRS: Work Opportunity Tax Credit](#)
- [IRS Code of 1986, Section 51](#)
- [TEGL 06-22 WOTC Initial Funding Allotments for FY2023](#)

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