**From the desk of**

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Work Opportunity Tax Credit

Employers that hire employees within [certain designated groups](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/ruaSWoxKDUg96YqgQCL21-DuLKRMquBtNSF4CPuOs6Q%3D376) can reduce the tax they owe when they claim the **Work Opportunity Tax Credit** **(WOTC)** on their federal tax return.

**To claim the credit, an employer must first get certification an individual is eligible.**

The credit was extended through the end of 2025.

The credit encourages employers to hire workers certified as members of any of 10 groups who face barriers to employment.

When hiring, employers should review eligibility requirements for the Work Opportunity Tax Credit.

**Eligible Employees**

An employee may be eligible if they are a member of one of the following groups:

* People who receive:
	+ Long-term family assistance.
	+ Long-term unemployment.
	+ Supplemental Nutrition Assistance Program benefits.
	+ Supplemental Security Income.
	+ Temporary Assistance for Needy Families.
* Formerly incarcerated individuals.
* Qualified unemployed veterans, including disabled veterans.
* Designated community residents living in [**Empowerment Zones**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/forms-pubs/about-form-8844/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/gwxUlNbNa0PYsF8SMu9joBajgijuCMivuOkAOLLApbY%3D376) or [**Rural Renewal Counties**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/instructions/i8850/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/oFNkIaAXRZa8oLBDPWW0oi9HTOp-AbSXHPgCyBee8DQ%3D376).
* People referred to vocational rehabilitation programs.
* Summer youth employees living in Empowerment Zones.

**Certification requirement**

To obtain certification that an individual is eligible, the employer must submit IRS [**Form 8850, Pre-screening Notice and Certification Request for the Work Opportunity Credit**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/forms-pubs/about-form-8850/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/D1jcsThKBAG9Mkiiec7B_vDJ19JKxYJjz-64yK6wKJQ%3D376) to the workforce agency for the state where the employee works.

The submission must be done within 28 days after the individual begins work.

**Employers should not submit this form to the IRS.**

Employers should contact the state workforce agency with questions about processing Form 8850.

**Claiming the credit**

Eligible employers claim the Work Opportunity Tax Credit on their federal income tax return.

It is generally based on wages paid to eligible workers during the first year of employment.

After the employer receives Form 8850 certification from the state workforce agency, the credit is calculated on **IRS** [**Form 5884, Work Opportunity Credit**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/forms-pubs/about-form-5884/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/gPZZHr8FwB7bJRz8x2SXv1JWwN12FZ612zEFTBlPqK8%3D376), and then claim the credit on [**Form 3800, General Business Credit**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/forms-pubs/about-form-3800/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/9eqSoBkVUQkH_L_epLzvNiXlZNQOjQYbS_ZlbQrkyUk%3D376)**.**

Wages used to calculate WOTC cannot be used to calculate other wage-based credits.

**Tax-exempt organizations**

A special rule allows tax-exempt organizations claim the credit **only** for hiring qualified veterans who began work for the organization before 2026.

After the employer receives the Form 8850 certification from the state workforce agency, they claim the credit against payroll taxes on [**Form 5884-C, Work Opportunity Credit for Qualified Tax Exempt Organizations**](https://links-1.govdelivery.com/CL0/https%3A//www.irs.gov/forms-pubs/about-form-5884-c/1/01000192d3684ece-7aa42789-c068-43c2-9d74-d48b7bb7bea0-000000/bYZFjPyREttPf4txhIpVKYNBGOWaIRUZgYtCK12coaM%3D376)**.**

The IRS recommends that qualified tax-exempt employers do not reduce their required deposits as they wait for the tax credit.

The credit will not affect the employer’s Social Security tax liability.

**Limitations on the credits**

For a taxable business, the credit is limited to the business' income tax liability. Unused credit is subject to the normal carry back and carry forward rules.

For qualified tax-exempt organizations, the credit is limited to the amount of the employer's share of Social Security tax it owes on wages it paid to qualifying employees.

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