

## Capture Tax Savings That Go Straight To The Bottom Line

Are you an employer looking to improve your company's bottom line while finding qualified workers at the same time? By using the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (WtWTC) programs, you can do just that. These two employer-friendly benefits reduce the cost of doing business and require little paperwork. There is no limit to the number of new hires who can qualify an employer for the tax savings. As always, employers make the hiring decision for themselves. The federal income tax credits are designed to help American workers gain economic self-sufficiency and increase American productivity and economic growth. Alabama employers have saved over \$96 million in federal income tax credits since the programs began.

The Work Opportunity Tax Credit offers employers an opportunity to reduce their federal tax liability by hiring individuals who are members of certain targeted groups. The targeted job seekers are:

1. Family assistance (Temporary Assistance for Needy Families - TANF) recipient
2. Veteran food stamp recipient
3. 18-24 year-old food stamp recipient
4. 18-24 year-old Empowerment Zone/Enterprise Community/Renewal Community (EZ/EC/RC)\* resident
5. 16-17 year-old EZ/EC/RC\* resident
6. Vocational rehabilitation referral
7. Ex-felon
8. Supplemental Security Income (SSI) recipient
9. New York Liberty Zone Business Employee

The tax credit for hiring all WOTC target groups, except for Summer Youth Employees, is up to **\$2,400** for each new hire. The tax credit is 40 percent of qualified first-year wages for those employed 400 or more hours and 25 percent for those employed at least 120 hours. Qualified wages are capped at \$6,000, while Summer Youth wages are capped at \$3,000.

The Welfare-to-Work Tax Credit for hiring long-term family assistance (TANF) recipients is as much as **\$8,500** per new hire. The tax credit is 35 percent of qualified wages for the first year of employment and, 50 percent of qualified wages for the second year of employment. Qualified wages are capped at \$10,000 per year. To qualify employers for this tax credit, new hires must be employed at least 400 hours.

For additional information on these tax credits:

- Select "Employment Services" from the Departmental Quick Links drop box located at the top right corner of this homepage. At the Alabama State Employment Service homepage, click in the word "Employers," or:
- Contact the Tax Credit Unit, Employment Service Division, Department of

Industrial Relations, 649 Monroe St., Montgomery, AL 36131; telephone: 334/353-8030, or:

- Visit the U.S. Department of Labor Web site at:  
[www.uses.doleta.gov/wotcdata.asp](http://www.uses.doleta.gov/wotcdata.asp).

\* EZ/EC/RC designations are located in the following Alabama counties: Butler, Chambers, Conecuh, Dallas, Greene, Hale, Jefferson, Lowndes, Marengo, Mobile, Monroe, Perry, Sumter and Wilcox.