



## **Iowa Restaurant Association 2<sup>Nd</sup> Tuesday Educational Webinar Series**

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**Small details. Big difference.™**

# Understanding the Work Opportunity Tax Credit (WOTC): An Available Hiring Tax Credit for Restaurants

June 2021





# Takeaways

June 2021

- 01. WOTC provides up to \$2,400 or more when hiring target groups, including those unemployed 27+ weeks**
- 02. Forms must be submitted to the State Workforce Agency within 28 days of the new hire's start date**
- 03. Each State has a WOTC specialist to help employers**
- 04. There are 3.8 million WOTC-eligible unemployed as of June 2021, 2.6 million more than in February 2020**



# WOTC Is a Long-Standing Program

**Restaurants Can Access Resources, Work with State Offices for Assistance**

**Is this a new pandemic incentive?**

- No, the Work Opportunity Tax Credit (WOTC) is a well-established federal program that all restaurants should be able to utilize.
- WOTC was created in 1996 and has been extended through 2025.

**Do all States have WOTC support for employers?**

- Yes, each state (plus D.C.) has its own State Workforce Agency with a coordinator who assists with WOTC.
- State Workforce Agency Directory:  
<https://www.dol.gov/agencies/eta/wotc/contact/state-workforce-agencies>

# Incentives for Restaurant Hiring Target Groups

## Helping Restaurants Manage Cash Flow and Reduce Tax Burden

WOTC provides a federal tax credit incentive for businesses hiring from *target population groups*:

**\$2,400+ per employee is a common amount received by employers, with no limit on the number of hires**

- *Targeted population groups* include those unemployed for 27+ consecutive weeks (~7 months), who received some unemployment compensation during that period.
- There are **3.8M “long-term unemployed”** (jobless for 27 weeks or more), as of June 2021; 2.6M higher than in February 2020.

# Credit Amount Varies Based on Population Type

**Most Businesses Will Receive \$2,400 per WOTC Eligible Person (40% of \$6,000)**

<b><u>Populations Eligible for the Work Opportunity Tax Credit by Amount</u></b>	
<b>Group</b>	<b>Maximum WOTC-Eligible Wages (Employers Can Claim a Maximum of 40%)</b>
Long-Term Unemployed of 27+ Weeks	\$6,000
Long-Term TANF Recipients	\$10,000 per year for up to two years
TANF Recipients	\$6,000
SNAP Recipients	\$6,000
SSI Recipients	\$6,000
Veterans	\$6,000 to \$24,000
Summer Youth Employees	\$3,000
Vocational Rehabilitation Referrals	\$6,000
Ex-Felons	\$6,000
Designated Community Residents	\$6,000

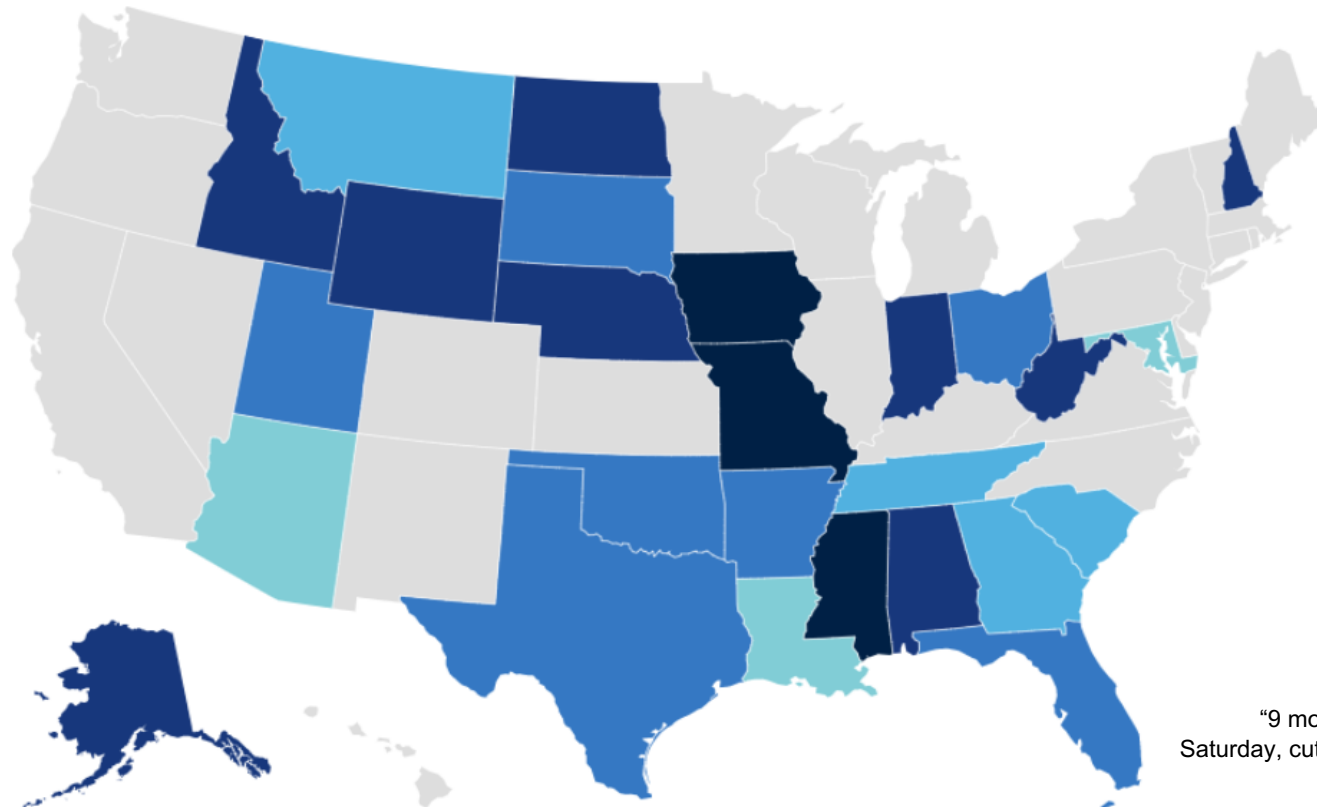
**Former employees and family members are not eligible.**

# New Prospects for the Long-Term Unemployed...

26 States Are Ending Federal UI Benefits Before They Expire in September

## End Dates for State Participation in Enhanced Federal Unemployment Benefits

■ Week ending June 12 ■ Week ending June 19 ■ Week ending June 26 ■ Week ending July 3  
■ July 10 - 30 ■ Week ending Sept. 4



"9 more states are ending pandemic unemployment aid on Saturday, cutting off 440,000 workers," [CBS News](#), June 18, 2021

**Disclaimer:** Federal/state regulations are subject to change and this slide should not be used for or taken as for legal, financial, and/or business planning advice



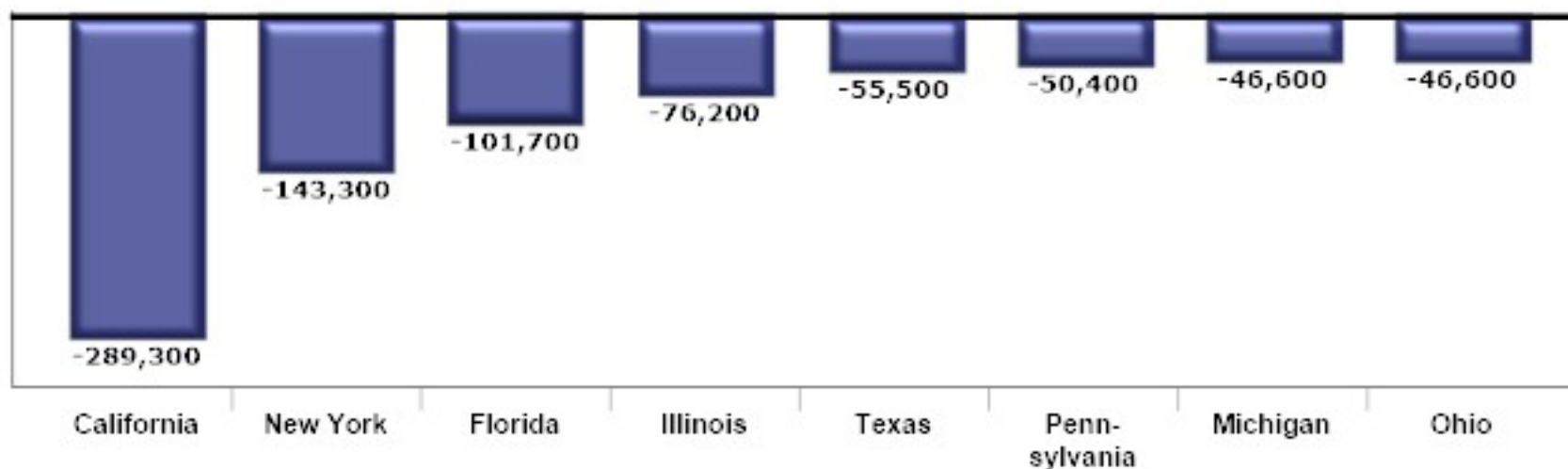
# ... As Restaurants Seek to Increase Hiring

**82% of Operators Have Job Openings That Are Difficult to Fill, per an April Survey**

Eating and drinking places are still 1.5 million jobs – or 12% – below pre-pandemic employment levels.

## States with largest employment gap below pre-COVID level

Net change in eating & drinking place jobs: February 2020 to May 2021



Sources: Bureau of Labor Statistics, National Restaurant Association; figures are not seasonally-adjusted



# Step One: Prepare the Documents Right Now

The Business and the Applicant Must Complete & Submit the Following:

IRS Form 8850: (<https://www.irs.gov/forms-pubs/about-form-8850>)

ETA Form 9061 ([https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/ETA-FORM-9061-\(ENGLISH\).pdf](https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/ETA-FORM-9061-(ENGLISH).pdf)) or ETA Form 9062  
(<https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/ETA-Form-9062.pdf>)

ETA Form 9175 for Long-Term Unemployed  
(<https://www.dol.gov/sites/dolgov/files/ETA/wotc/pdfs/ETA-Form-9175.pdf>)

**NOTE:** The EEOC updated an advisory opinion in April 2020 saying that “proper employer use of Form 8850 would not violate the federal equal employment opportunity (EEO) laws.”

# Step One: Prepare the Documents Right Now

**Print and Prepare Forms before Each Job Interview and “Onboarding” Process**

**Documents must be submitted to State Workforce Agency within 28 calendar days of new employee’s start date.**

- Forms “pre-screen” for WOTC eligibility and are submitted to the State Workforce Agency where the business is located (where the employee works) to certify the individual is within a targeted population group.
- Forms must be completed by a job applicant and the potential employer, as the job applicant must give this information to the employer on or before the day a job offer is made.

# Step Two: Getting Certified for WOTC

**Timing Varies on Certification by State – Online Programs Generally Are Faster**

- If the individual applicant meets the criteria, the State Workforce Agency sends the employer a WOTC Certification.
- If the IRS Form 8850 is timely but incomplete, the Agency will request additional information to make a WOTC eligibility determination.

# Step Three: Claim the Credit, Keep the Records

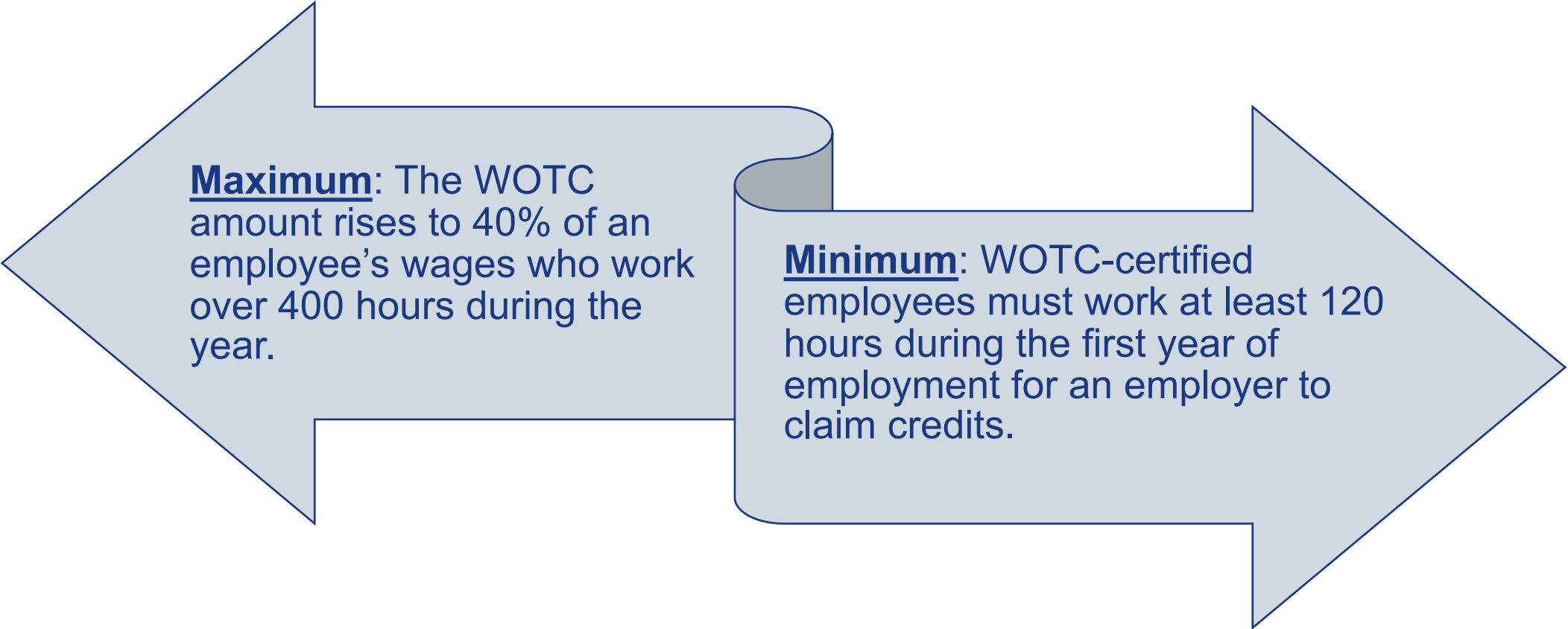
The Credit Can Offset Quarterly Tax Payments as a General Business Credit

- An employer files IRS Form 5884, Work Opportunity Credit, with the federal tax return:  
<https://www.irs.gov/forms-pubs/about-form-5884>
- Employers should retain WOTC records for seven years from the date of the written certification.



# Planning How Much a Business Will Receive

Important to Track Hours Worked and Qualified Wages Paid



**Maximum:** The WOTC amount rises to 40% of an employee's wages who work over 400 hours during the year.

**Minimum:** WOTC-certified employees must work at least 120 hours during the first year of employment for an employer to claim credits.

# Don't Pass It Up! Small Restaurants Obtain WOTC

**2.1M WOTC Certifications Were Issued to Businesses in 2019**

- Restaurants and Foodservice Companies claim WOTC at the 2nd highest rate of all industries, with over 361,000 certifications issued in 2019.
- This General Business Credit is accessible, will not run out of funds since it is offset against taxes, and resources are available for the smallest of operators.

# More Resources @

[www.RestaurantsAct.com](http://www.RestaurantsAct.com)

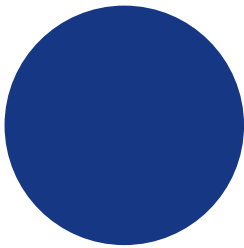


**Welcome to Restaurants Act**

*The Grassroots Home for the Restaurant Industry*

# Additional Incentive Programs

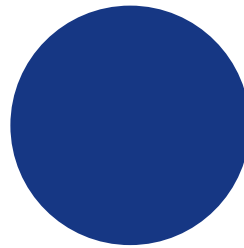
## Disabled Access Tax Incentives



Small businesses are eligible for two tax incentives to help cover the cost of providing reasonable accommodations for employees or customers with disabilities, such as sign language interpreters, readers, materials in alternative format (such as Braille or large print), the purchase of adaptive equipment, the modification of existing equipment, or the removal of architectural barriers.

<https://www.iowaworks.gov/vosnet/GSIPub/documentView.aspx?enc=6fbNONrKFY0FQJ6tK9vysw==>

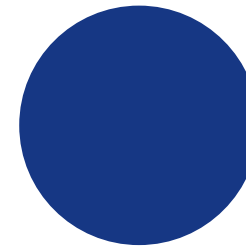
## Ex-Offender Tax Credit



Iowa employers who meet specific criteria are allowed an additional deduction on their Iowa income tax returns for hiring ex-offenders.

<https://tax.iowa.gov/income-tax-benefit-iowa-employers-who-hire-ex-offenders>

## Federal Bonding Program



Sponsored by the U.S. Department of Labor, serves as a tool to secure the job placement of ex-offenders and other high-risk applicants by issuing Fidelity bonds to businesses who offer jobs to workers in "at risk" groups. These bonds are business insurance policies that protect the employer in case of any loss of money or property due to employee dishonesty.

<https://www.iowaworks.gov/vosnet/GSIPub/documentView.aspx?enc=dugtAaJWrJi8Kmipy/re2Q==>



# Rural Renewal Counties in Iowa



- Adair
- Adams
- Appanoose
- Audubon
- Butler
- Calhoun
- Cass
- Cherokee
- Clay
- Clayton
- Emmet
- Floyd
- Franklin
- Fremont
- Hancock
- Humboldt
- Ida
- Keokuk
- Kossuth
- Montgomery
- Osceola
- Palo Alto
- Pocahontas
- Poweshiek
- Sac
- Taylor
- Union
- Wayne
- Winnebago
- Worth

# IOWA WOTC

- The preferred method for Iowa employers or their consultants to submit WOTC applications is through our [IowaWORKS.gov](http://IowaWORKS.gov) site. The site will easily walk employers through the process of submitting both the IRS Form 8850 and ETA Form 9061. Form 8850 must be submitted within 28 calendar days of the new employee's start date. We encourage Form 9061 be submitted at the same time to reduce any processing delays.
- Using IowaWORKS.gov employers can upload their support or verification documents directly to the applications and have access to the status of their applications, as well as be able to print Certifications, Denial, or requests for information letters.
- Iowa Workforce Development will also accept WOTC applications by:
  - Secure email to [WOTC.Coordinator@iwd.iowa.gov](mailto:WOTC.Coordinator@iwd.iowa.gov). This email goes directly to the WOTC team.
  - Fax to 515-242-0487 (this is a secure fax accessed only by the WOTC team)
  - Mail:  
IowaWORKS Center  
WOTC Unit  
200 Army Post Road, Suite 44  
Des Moines, IA 50315
- If using secure email, fax, or mail to submit WOTC applications, the WOTC team will then mail Certifications, Denial, or requests for information letters to the employer or their authorized representative.