

HUD WorkPad – Renewal Community Continued

WOTC (Work Opportunity Tax Credit)

WorkPad for a Business Located Inside or Outside of the Renewal Community

Description: Credit against Federal taxes up to \$2,400 for each new hire from a targeted group.* The credit expires for individuals who begin work after December 31, 2003, although the credit may be extended.

Note: Cannot be combined with the WtW credit.

Applicable IRS Tax Forms: Forms 5884 and 8850

*Targeted groups include:

- Veterans,
- Ex-felons,
- Vocational rehabilitation referrals,
- Food stamp recipients,
- TANF recipients,

- High-risk youth (ages 18 to 24 who live in an EZ, EC or RC),
- Summer youth employee (16 to 17 who live in an EZ, EC or RC), and
- SSI recipients.

Example 1: Bob hires a cashier who is 20 years old and lives in an RC. At \$6 an hour for a 35-hour week, with one week paid vacation, for a total annual wage of \$10,920. Bob's WOTC Credit would be: $1 \times \$6,000 \times .40 = \$2,400$.

Example 2: Joe hires 6 employees from the designated groups, three of them for year-round jobs at an annual wage of \$15,000. The three others are 16-year olds who live in the RC for 8-week summer jobs and receive total wages of \$2,000. Joe's WOTC Credit would be: $(3 \times \$6,000 \times .40) + (3 \times \$2,000 \times .40) = \$9,600$.

Formula

<input style="width: 100%; height: 20px;" type="text"/>	x	<input style="width: 100%; height: 20px;" type="text"/>	x	.40	=	<input style="width: 100%; height: 20px;" type="text"/>
Number of WOTC employees working at least 400 hours		Wage, up to \$6,000		Credit Rate		WOTC Wage Credit
<input style="width: 100%; height: 20px;" type="text"/>	x	<input style="width: 100%; height: 20px;" type="text"/>	x	.25	=	<input style="width: 100%; height: 20px;" type="text"/>
Number of WOTC employees working at least 120 hours		Wage, up to \$6,000		Credit Rate		WOTC Wage Credit

Please turn this page over to answer some important questions.

The formulas contained in the workpad result only in estimated tax savings and should not be officially relied upon for Federal government tax purposes. Please consult your tax preparer or the IRS for official guidance.

To ensure that the Federal Government continues to offer this valuable tax incentive to your business, please provide the following information:

1. Did your business include Form 5884 **WORK OPPORTUNITY CREDIT** in your tax return this year to claim work opportunity tax credits for qualifying RC residents?

Yes: _____ No: _____

2. What was your tax savings due to the work opportunity tax credits for hiring qualifying RC employees? \$ _____

3. How many qualifying RC employees did you hire last year because of your expected savings from the work opportunity tax credits? _____

For Internal Use Only: Identification Number: _____