**WIOA Young Adult Program**

**Chapter 08: Work Opportunity Tax Credit (WOTC)**

Summary
The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to all private sector businesses as an incentive to employers to hire workers in certain groups who consistently experience high rates of unemployment.

Relevant Laws, Rules, or Policies
[Workforce Innovation and Opportunity Act (Public Law 113-128)](http://www.gpo.gov/fdsys/pkg/PLAW-113publ128/html/PLAW-113publ128.htm)

[WIOA Final Rule (Dated 08-19-2016)](https://www.gpo.gov/fdsys/pkg/FR-2016-08-19/pdf/2016-15975.pdf)

[WIOA Final Rule: Unified and Combined State Plans, Performance Accountability, and the One-Stop System Joint Provisions (Dated 08-19-2016)](https://www.gpo.gov/fdsys/pkg/FR-2016-08-19/pdf/2016-15977.pdf)
[U.S. Dept. of Labor Training and Employment Guidance Letter No. 23-14 (Dated 3-26-15)](http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4244)
[U.S. Dept. of Labor Training and Employment Guidance Letter No. 19-14 (Dated 2-19-15)](http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7353)
[U.S. Dept. of Labor Training and Employment Guidance Letter No. 12-14 (Dated 10-28-14)](http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3475)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 8-15 (Dated 11-17-15)](http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6073)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 10-16 Change 1 (Dated 8-23-17)](https://wdr.doleta.gov/directives/corr_doc.cfm?docn=3255)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 21-16 (Dated 3-2-17)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7159)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 7-18 (Dated 12-19-18)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4255)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 14-18 (Dated 3-25-19)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7611)

[U.S. Dept. of Labor Training and Employment Notice No. 22-19 (Dated 4-3-20)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8754)

[Office of Management and Budget Code of Federal Regulations 2 CFR 200](https://gov.ecfr.io/cgi-bin/text-idx?SID=970b58af63fde7ba10fd201add7ec48c&mc=true&tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) (Uniform Guidance)

[U.S. Dept. of Labor Training and Employment Notice No. 12-21 (Dated 10-15-21)](https://wdr.doleta.gov/directives/corr_doc.cfm?docn=9977)

[U.S. Dept. of Labor Training and Employment Notice No. 14-21 (Dated 10-27-21)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6118)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 03-21 (Dated 11-15-21)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3188)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 03-21 Change 1 (Dated 12-27-21)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3188)

[U.S. Dept. of Labor Training and Employment Notice No. 18-21 (Dated 1-4-22)](https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3439)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 03-21 Change 2 (Dated 04-29-22)](https://wdr.doleta.gov/directives/corr_doc.cfm?docn=8234)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 23-19, Change 1 (Dated 10-25-22](https://www.dol.gov/sites/dolgov/files/ETA/advisories/TEGL/2019/TEGL%2023-19%20Change%201/TEGL%2023-19%2C%20Change%201%20%28Complete%20document%29.pdf))

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 09-22 (Dated 3-2-23)](https://www.dol.gov/agencies/eta/advisories/tegl-09-22)

[U.S. Dept. of Labor Training and Employment Guidance Letter No. 23-19, Change 2 (Dated 5-12-23)](https://www.dol.gov/agencies/eta/advisories/tegl-23-19-change-2)

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Policy

The tax credit allows employers to reduce their federal tax liability by up to $9,600 per new hire. For –profit businesses of any size qualify. 501(c) non-profits qualify for the veteran target groups only. The tax credit applies to temporary, seasonal, part-time and full-time workers and applies only to new employees who have never worked for the hiring employer at any other time. The tax credit is available for new hires with job start dates through December 31, 2025.

For the employer to claim the WOTC for a new hire, the employee must be certified as a member of a targeted group by meeting the criteria described in any of the groups listed below. The employer is not expected to verify eligibility of the employee at the time of hire.

* **Short-Term Temporary Assistance for Needy Families (TANF) Recipient (Group 1)** – A member of a family that received assistance through Minnesota Family Investment Program (MFIP) for any 9 months during the 18-month period ending on the hiring date.
* **Qualified Veteran (Group 2a)** – A veteran who is a member of a family that received food stamps for at least a 3-month period during the 15-month period ending on the hiring date.
* **Disabled Veteran (Group 2b)** – Disabled veteran entitled to compensation for a service-connected disability hired within one year of discharge or release from active duty.
* **Unemployed Disabled Veteran (Group 2c)** – Disabled veteran entitled to compensation for a service-connected disability and having aggregate periods of unemployment of six months or more during the one-year period ending on the hiring date.
* **Unemployed Veteran-4 weeks (Group 2d)** – A veteran having aggregate periods of unemployment of at least four weeks but less than six months in the year prior to being hired.
* **Unemployed Veteran-6 months (Group 2e)** – A veteran having aggregate periods of unemployment of six months or more in the year prior to being hired.
* **Qualified Ex-felon (Group 3)** – Individual convicted of a felony and who is hired within one year after the conviction or release date from a correctional facility.
* **Designated Community Resident (Group 4)** – Individual who is age 18 but not yet 40 years old on the hire date and who lives within the [Minneapolis Empowerment Zone](https://www.dol.gov/agencies/eta/wotc/resources/) or a Rural Renewal County (RRC). The Rural Renewal Counties are Big Stone, Chippewa, Cottonwood, Faribault, Jackson, Kittson, Koochiching, Lac qui Parle, Lincoln, Marshall, Martin, Murray, Norman, Pipestone, Red Lake, Redwood, Renville, Stevens, Traverse, Wilkin and Yellow Medicine. Note: Minnesota employers who hire employees living in certain counties in Iowa (Emmet, Kossuth, Osceola, Winnebago and Worth), North Dakota (Pembina, Traill and Walsh) and South Dakota (Deuel and Grant) may also claim the tax credit. WOTC applications for residents living in these counties and working in Minnesota should be mailed to the Minnesota WOTC unit.
* **Vocational Rehabilitation Referral (Group 5)** – Individual with a physical or mental disability referred to an employer upon completion of (or while receiving) rehabilitation services by an agency approved by the State, by an employment network under the Ticket-to-Work Program, or by the Department of Veterans Affairs, and with a written employment plan.
* **Qualified Summer Youth (Group 6)** – Individual who is age 16 or 17 but not yet 18 years old on the hire date and who works for the employer between May 1 and September 15 and lives in an [Empowerment Zone](https://www.dol.gov/agencies/eta/wotc/resources/).
* **Food Stamp Recipient (Supplemental Nutrition Assistance Program – SNAP)** **(Group 7)** – Individual who is age 18 but not yet 40 as of the hire date and a member of a family that received food stamps for EITHER the 6-month period ending on the hiring date OR for at least 3 of the 5 months ending on the hiring date in the case of a family member who ceased to be eligible for such assistance and is an able-bodied adult without dependents.
* **Supplemental Security Income (SSI) Recipient (Group 8)** – Individual who has received SSI benefits for any month ending during the past 60-day period ending on the hiring date.
* **Long-term Family Assistance Recipient (Group 9)** – Member of a family that received MFIP benefits (a) for at least 18 consecutive months ending on the hiring date, or (b) member of a family that received MFIP for any 18 months ending after August 5, 1997, and the earliest 18-month period, beginning after August 5, 1997, ended during the past 2 years, or (c) whose family stopped being eligible for MFIP because federal or state law limited the maximum time those payments could be made, and the individual is hired not more than 2 years after eligibility expired.
* **Qualified Long-Term Unemployment Recipient (Group 13) –** Individual who is in a period of unemployment not less than 27 consecutive weeks on the day before starting work AND received Unemployment Insurance (UI) compensation for a minimum of one week during the current period of unemployment.

Additional information about WOTC and links to the required forms can be found on DEED’s WOTC website: <http://mn.gov/deed/business/finding-workers/incentives/wotc.jsp>

Questions regarding the WOTC may be directed to DEED’s WOTC unit at 651.259.7521 or 1-888-234-5521 or DEED.WOTC@state.mn.us.

Related Links
[DEED Youth Website](http://mn.gov/deed/programs-services/office-youth-development/index.jsp)