

State of Texas Tax Refund for Employers of TANF or Medicaid Clients

An employer may qualify for a state tax refund if the employer:

- Pays certain State of Texas taxes (franchise, state sales and use, boat and boat motor, PUC gross receipts, inheritance, hotel and/or manufactured housing), and
- Pays wages during the first year of employment to an employee who is a Texas resident and received TANF or Medicaid benefits any month within 6 months of the start date, and
- Provides and pays for a part of the cost of qualifying major medical insurance for the employee.

Employers can recover up to 20% of \$10,000 in wages paid during the first year of employment, which means a refund of up to \$2,000 per qualified employee.

How and When to File for State Tax Refund

By using TWC Form 1098, Application for Refund of Taxes Paid to the State of Texas, an employer can apply for a tax refund for wages paid an employee in a calendar year only on or after January 1 and before April 1 of the calendar year following the year taxes and wages were paid.

For example, a refund request for wages paid in calendar year 2008 must be submitted on or after Jan 1, 2009, but before April 1, 2009.

After the employer and employee complete TWC Form 1098 it must be mailed to:

Texas Workforce Commission /WOTC Unit
101 E. 15th Street, Room 202T
Austin, TX 78778-0001

TWC certifies that the employee received TANF or Medicaid benefits. TWC forwards the application to the State Comptroller for further verification and a refund, if eligible. Comptroller questions should be directed to Gregory Goldston at 512-463-4580.

To obtain a complete Employer Packet of information and sample forms, go to www.twc.state.tx.us/svcs/wotc/wotc.html or call the Texas Workforce Commission WOTC Unit at 1-800-695-6879.

WORK OPPORTUNITY TAX CREDIT



TAX SAVINGS

For
Texas Employers

1-800-695-6879

Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) is a federal income tax credit that reduces the federal tax liability of private-for-profit employers. Employers can hire from nine different targeted groups:

- Qualified Temporary Assistance to Needy Families Recipients (TANF)
- Qualified Veterans/Disabled Veterans
- Qualified Ex-felons
- Qualified Designated Community Residents (DCR) residing in an Empowerment Zone (EZ), Renewal Community (RC), or in a Rural Renewal County (RRC)
- Qualified Vocational Rehabilitation Agency Referrals
- Qualified Summer Youth (SY)
- Qualified Food Stamp Recipients (FS)
- Qualified Supplemental Security Income Recipients (SSI)
- Qualified Long – Term Family Assistance Recipients. (LTFAR)

Maximum Credit Available

- \$1,200 for each new Summer Youth* hired;
- \$2,400 for each new Adult hired;
- \$4,800 for each new Disabled Veteran hired; and
- \$9,000 for each new Long Term Family Assistance Recipient hired over a two year period.

*The credit is based on 40% of up to \$6,000 in qualified wages during the first year of employment. Summer Youth qualify for 40% of the first \$3,000 in wages during the required working period of May 1 through September 15.

Minimum Employment or Retention Period

All new adult employees must work a minimum of 120 hours and individuals hired as Summer Youth employees must work at least 90 days, between May 1 and September 15, before an employer is eligible to claim the tax credit.

Recent program changes took place in 2007 that impacted multiple target groups. One such change was the consolidation of the Welfare-To-Work Tax credit program into the WOTC program to become known as Long-Term Family Assistance. A second change was the creation of the new Disabled Veteran target group that went into effect May 25, 2007.

The WOTC Program has been reauthorized until August 31, 2011.

Long-Term Family Assistance Recipients who began work after December 31, 2006 and before September 1, 2011, can earn Texas employers up to \$9,000 if they are a member of a family:

- That received TANF for at least 18 **consecutive** months before the hire date; or
- Whose TANF eligibility under federal or state law expired after August 5, 1997 (for applicants hired within two years after their eligibility expired); or
- That received TANF for at least 18 months, beginning after August 5, 1997, and is hired not more than two years after that 18-month period.

Disabled Veterans who began work after May 25, 2007 and before September 1, 2011, can earn Texas employers up to \$4,800 if they

- Are entitled to compensation for a service-connected disability of at least 10%, and
- Have a hiring date which is not more than 1 year after having been discharged or released from active duty in the Armed Forces of the United States, or
- Have aggregate periods of unemployment during the 1 year period ending on the hiring date which equal or exceed 6 months.

How to Apply for WOTC

To apply for a WOTC certification in Texas, the employer must mail all pertinent information to the WOTC Unit in Austin. When the required information is received, an eligibility determination will be made and when appropriate, a certification will be issued.

- Mail within 28 days of the employee's job start date: IRS Form 8850: Pre-Screening Notice and Certification Request for the Work Opportunity Credit.
- Mail as soon as possible: *either* ETA Form 9061: Individual Characteristics Form if the new employee has not been conditionally certified, *or* ETA Form 9062: Conditional Certification if provided to the job seeker by a participating agency.
- Mail forms to: Texas Workforce Commission/WOTC Unit
101 E. 15th Street, Room 202T
Austin, TX 78778-0001