

ASA American Staffing Association

Get the Most Out of Tax Credit Programs

ASAP^{Pro} WEBINARS

Aug. 1

ASA American Staffing Association

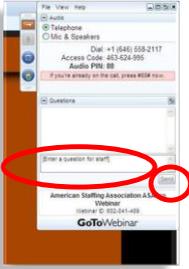
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- Questions Panel
 - Type your questions into the Questions panel and click Send.



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- Visit americanstaffing.net and click on Education & Certification
- Scroll down to access the "Already Certified?" section for the CE submission form and to view your CE summary


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Introduction



Mike Nethery
Tax Credit Consultant



Agenda

- How your business can benefit from federal and state tax credits
- What federal and state tax credits are available to you
- The requirements for various credits
- The process for obtaining credits
- Extension and status of Work Opportunity Tax Credit (WOTC)




Who benefits from hiring-related tax credits?

- Employees
- Communities
- Employers



Federal Tax Credit Programs

- Congress has authorized billions in incentives to get employees back to work and to improve the economy
- Many of these incentives go unclaimed because businesses don't know about the credits or do not have the tools or time to maximize these benefits
- The American Taxpayer Relief Act of 2012 renewed the WOTC program through 2013 and retroactively through 2012



Work Opportunity Tax Credit (WOTC) Program

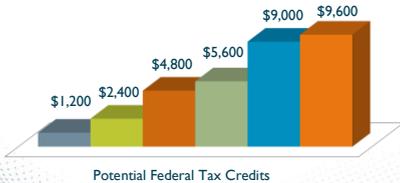
- WOTC is a Federal tax credit available to employers for hiring individuals from certain target groups who have consistently faced significant barriers to employment
- WOTC joins other workforce programs that incentivize workplace diversity and facilitate access to good jobs for American workers

Source: Department of Labor Employment & Training Administration



WOTC Program (cont)

- Qualified newly hired individuals from identified target groups
- Most target groups are worth up to a \$2,400 federal tax credit
- Some qualified employees are worth as much as a \$9,600 credit



WOTC Target Groups

- Supplemental Nutrition Assistance Program (SNAP) or food stamp recipients
- Disabled or unemployed veterans
- Vocational rehabilitation referrals
- Summer youth employees
- Ex-felons
- Designated community residents
- Recipients of Assistance Under Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF)
- Supplemental Security Income (SSI) recipients
- Short Term Temporary Assistance for Needy Families Recipients



Questions to consider if your company is a good fit for WOTC

- Is your business currently taking advantage of any tax credit programs?
- Are you placing entry level jobs?
- Does your business currently have a veteran-hiring initiative?
- Are you currently using a Professional Employer Organization (PEO)?



Target Industries

- Staffing
- Manufacturing
- Hospitality
- Call centers
- Health care
- Distribution centers
- Restaurants / food chains
- Convenience stores
- Retail



How to Estimate WOTC

Number of employees

Percent of turnover

Example: 500 employees with 100% turnover

$$500 \times 15\% = 75 \times \$1,000 = \$75,000$$



How to Calculate WOTC

- Credit is calculated using
 - 0 to 119 hours = 0% of Qualified Wages
 - 120 to 399 hours = 25% of Qualified Wages
 - 400 hours and up = 40% of Qualified Wages



WOTC Calculation Breakout

Target Group	Maximum Qualified Wages	Maximum Credit Amount
<ul style="list-style-type: none"> Summer Youth Employee 	\$3,000	25% = \$750 40% = \$1200
<ul style="list-style-type: none"> Vocational Rehabilitation Referral Recipient of SNAP benefits (Food Stamps) SSI Recipient Qualified IV-A Recipient Qualified Veteran Qualified Ex-Felons Designated Community Resident (DCR) 	\$6,000	25% = \$1500 40% = \$2400
<ul style="list-style-type: none"> Long-Term Family Assistance Recipient 	\$10,000 (1 st year) \$10,000 (2 nd year)	25% = \$2500 (1 st year) 40% = \$4000 (1 st year) 50% = \$5000 (2 nd year)
<ul style="list-style-type: none"> Disabled Veteran 	\$12,000	25% = \$3000 40% = \$4800



WOTC Calculation Breakout VOW to Hire Heroes Act

Target Group	Maximum Qualified Wages	Maximum Credit Amount
Returning Heroes – unemployed 4 weeks or more	\$6,000	25% = \$1500 40% = \$2400
Returning Heroes – unemployed 6 months or more	\$14,000	25% = \$3500 40% = \$5600
Wounded Warrior – disabled veteran	\$12,000	25% = \$3000 40% = \$4800
Wounded Warrior – disabled veteran unemployed for more than 6 months	\$24,000	25% = \$6000 40% = \$9600



WOTC Example Calculation \$10/hour

Hours Worked	Wage	Credit Percentage	Credit
100	\$1000	0%	\$0
300	\$3000	25%	\$750
600	\$6000	40%	\$2400



WOTC Tax Benefits

- Credit not a deduction
- Credits can go back 1 year and can be carried forward up to 20 years
- Credits offset Alternative Minimum Tax
- If company is a flow-through entity (S-Corp or LLC) credits are realized on the owner's personal return



WOTC Forms – IRS Form 8850



WOTC Forms – ETA Form 9061



What's New in WOTC

- Currently 20 states plus Washington, D.C., accept electronic submission of WOTC Forms:
 - Alabama
 - Arkansas
 - Colorado
 - Florida
 - Idaho
 - Illinois
 - Indiana
 - Iowa
 - Kansas
 - Kentucky
 - Michigan
 - Minnesota
 - Nebraska
 - Ohio
 - Pennsylvania
 - South Carolina
 - Texas
 - Utah
 - Washington
 - West Virginia
- Each state develops its own system for accepting electronic submission pending federal approval



What's New in WOTC (cont)

- All but 10 states have committed to implementing electronic filing in the next year
- Electronic filing significantly speeds up the certification process
- Reducing mail expenses, while maintaining your ability to claim these lucrative credits
- Authenticated electronic signatures are now valid on WOTC forms
- President Obama recently supported a permanent extension of the WOTC program in his recent budget proposal



Benefits of an Administrator

- A partner to stay on top of the constantly changing legislation
- You're kept aware of updates in forms or special provisions
 - Using outdated forms can sacrifice thousands in tax credit savings
 - In early 2013 a one-time exception was given to consider 2012 forms
- WOTC paperwork is reviewed by experienced partners
 - In some cases, employees unknowingly qualify for the WOTC program based on their address and their age
- Internal administrators often see many forms "fall through the cracks" due to demanding day-to-day operations
 - Sent in past the 28 day window
 - No supporting documentation submitted



Benefits of an Administrator (cont)

- Prevents inaccurate credits being taken and IRS risk
 - In some cases, WOTC can be used in conjunction with other tax credit programs, further enhancing your profitability
- E-filing states may require unique file upload and programming
- Leading administrators are developing online form systems so that employees can submit forms online - a significant benefit
 - Through e-signature, the process can be paperless, saving paper and postage expenses
 - For States offering e-filing, the process is all done electronically from start to finish
- Most administrators feature performance-based invoicing



Empowerment Zone Credits

- Empowerment Zone Tax Credit is worth up to \$3,000 per employee per year
- To qualify, a business and employee need to be located within a designated federal zone
- The eligible employee must perform “substantially all” of work within the zone
- Full time and part time employees are eligible after 90 days
- Existing, new employees, and re-hires are eligible for program
- Can be used in conjunction with the WOTC program
 - Cannot use the same hours and wages for credit purposes



Urban Empowerment Zones

<ul style="list-style-type: none"> ▪ Pulaski County, AR ▪ Tucson, AZ ▪ Fresno, CA ▪ Los Angeles, CA ▪ Santa Ana, CA ▪ New Haven, CT ▪ Jacksonville, FL ▪ Miami/Dade County, FL ▪ Chicago, IL ▪ Gary/Hammond/E Chicago, IN ▪ Boston, MA ▪ Baltimore, MD ▪ Detroit, MI ▪ Minneapolis, MN ▪ St. Louis, MO/ East St. Louis, IL 	<ul style="list-style-type: none"> ▪ Cumberland County, NJ ▪ New York, NY ▪ Syracuse, NY ▪ Yonkers, NY ▪ Cincinnati, OH ▪ Cleveland, OH ▪ Columbus, OH ▪ Oklahoma City, OK ▪ Philadelphia, PA/Camden, NJ ▪ Columbia/Sumter, SC ▪ Knoxville, TN ▪ El Paso, TX ▪ San Antonio, TX ▪ Norfolk/Portsmouth, VA ▪ Huntington, WV/Ironton, OH
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Rural Empowerment Zones



- CA - Desert Communities (East of LA)
- GA - Southwest Georgia United (SW GA)
- IL - Southernmost Illinois Delta (Southern IL)
- KY - Kentucky Highlands (Central & South Central KY)
- ME - Aroostook County (NE Maine)
- MS - Mid-Delta EZ Alliance (West Central MS)
- ND - Griggs-Steele (Eastern ND)
- SD - Oglala Sioux Tribe (SW SD)
- TX - FUTURO (Southern TX)
- TX - Rio Grande Valley (Southern TX)

State Tax Credits

- Many states have lucrative tax credits- some that even parallel the Federal Work Opportunity Tax Credit
- Currently, ten states have credits for hiring veterans:
 - Alabama
 - Illinois
 - West Virginia
 - Alaska
 - New Mexico
 - Wisconsin
 - Connecticut
 - New York
 - Delaware
 - Vermont
- Frequently, state credits are based on starting a business, relocating or expanding within a specific designated zone
 - To qualify for these credits, most often a business would need to apply for these programs in advance of creating a new business, relocating or expanding



Review

- WOTC program is a lucrative program that can add substantial savings to your company and easily can be added to your day-to-day operations when working with a quality administrator
- Keep in mind only new hires qualify – 28 days from start date
- If you are considering expanding, renovating, or adding jobs, consult your tax credit expert beforehand to discuss tax credits
- Take advantage of lucrative tax credits to improve your profitability!



Questions



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American Staffing Association

Thank You for Attending

- Today's webinar has been recorded
- Recording will be available within two days
- Qualifies for continuing education credit



American Staffing Association

Upcoming Webinar

- Aug. 22: The Employee Handbook—Do I Really Need One for Corporate Staff and Contract Workers?

This ASAPro webinar qualifies for 1.0 active CE hour



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