

BURKHARDT & DAWSON
Certified Public Accountants

Work Opportunity Tax Credit

Up to \$2,400 per New Qualifying Employee
Must complete forms within 28 days of starting employment

This is a very valuable tax credit. We strongly recommend forms be completed for all new eligible employees when they are hired. If you need professional assistance completing the forms or a consultation regarding WOTC please contact us at 712.225.5755. We are here to help.

The tax credit applies to new employees who reside in a “rural renewal county.” The credit can be fairly significant. It is a credit of up to \$2,400 for each eligible hire (40% of the first \$6,000 of wages, assuming the employee works for at least 400 hours).

An eligible worker is an individual who has attained age 18 but not age 40 on the hiring date, and has his or her principal residence within a rural renewal county. The credit is based on where the employee lives not where they work.

These counties in Iowa are: 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, and Worth.

The employee must be certified by the Iowa Workforce agency. IRS Form 8850, *Pre-screening Notice and Certification Request for the Work Opportunity Credit*, and ETA Form 9061, *Individual Characteristics Form (ICF) Work Opportunity Tax Credit* are used for this purpose. These forms must be filed online or mailed with required supporting documentation within 28 days of starting employment to the Iowa Workforce Agency. After a certification letter is received from Iowa Workforce, the employer claims the tax credit on IRS Form 5884, *Work Opportunity Credit*, attached to the employer’s income tax return.

The general criteria for an individual to qualify for this area of the Work Opportunity Tax Credit is as follows:

- The employee must not have previously worked for the employer.
- The employee must not be the employer’s dependent or a related party to the employer.
- The employee must work at least 120 hours to qualify for any credit.
- The employee resides in a rural renewal county

The maximum credit rate is 40% of the first \$6,000 of wages paid to the employee within the first year of employment. If the employee has worked less than 400 hours but more than the 120-hour minimum within the 12 months following hire the credit rate is 25%.