

Update: October 2009

Tax Intelligence

State Programs - Targeted Hiring Incentives

Situation

The Work Opportunity Tax Credit (WOTC) is a federal program designed to encourage hiring of individuals in certain target groups that generally experience high unemployment. Most states also have their own versions of targeted hiring incentive programs that are usually referred to as WOTC state “piggy-backs.” These programs typically target certain categories of people, including individuals on public assistance, persons with disabilities, military/veterans, ex-offenders/ex-felons, and other miscellaneous “disadvantaged” groups. Regulators continue to develop new legislation to address these targeted groups.

Solution

A few examples of WOTC state “piggy-backs” include:

New Jersey RETURN-To-Work Program – On-the-job training grants are offered to businesses for hiring new employees who were previously unemployed. The maximum grant is capped at \$2,400 per new hire. The program is an example of a **newly enacted** state incentive that targets the unemployed.

Texas Refund of Wages paid to an Employee Financial Assistance – Businesses are eligible for a refund of 20% of the first \$100,000 in wages paid (up to \$2,000 per eligible employee) to an employee receiving Temporary Assistance for Needy Families (TANF) or Medicaid within 6 months of the employee’s start date.

New York Employment of Persons with Disabilities Credit – Businesses that employ individuals with disabilities may be entitled to an income tax credit for the first two years of employment. The credit is 35% of the first \$6,000 in wages in the first or second qualified year, up to \$2,100 per employee.

North Dakota Employers of Military Members Credit – Employers may claim an income tax credit for maintaining the payment of salary and related retirement benefits for an employee called to active military duty. The credit is 25% of the reduction in compensation that the employer continues to pay during the tax year on behalf of the employee. The maximum credit allowed for each eligible employee is \$1,000.

Illinois Credit for Wages Paid to Ex-Felons – A credit is allowed for the full-time employment of each person who has been convicted of a first-time nonviolent offense. The credit is equal to \$200 per taxable year for a maximum of two years per eligible employee.

Value

The state targeted hiring credits are available to companies that participate in WOTC. The overall benefit to your company may be in the form of a state credit, refund or grant. If your company is interested in receiving more information on the various state programs available, please contact **Pete Krieshok** at (314)214-7325 or via email at pkrieshok@talx.com.