

Update: September 2009

## Tax Intelligence

### Federal Tax Credit Updates

#### Situation

Several important federal income tax credits have expired or are set to expire this year. The Work Opportunity Tax Credit (WOTC) for Hurricane Katrina employees expired on August 30, 2009. The Federal Empowerment Zone and Renewal Community Credits along with the Native American Indian Employment Credit (IEC) are set to expire on December 31, 2009.

#### Overview of Credits

The **Work Opportunity Tax Credit (WOTC) for Hurricane Katrina employees** allows companies to claim a federal income tax credit on employees that resided within the Katrina disaster areas of Alabama, Louisiana and Mississippi. The credit is up to \$9,000 per eligible employee.

The **Federal Empowerment Zone Credit** rewards companies located within a federally designated zone that hire and retain employees who live within the same zone by offering an income tax credit of up to \$3,000 per eligible employee per year.

The **Federal Renewal Community Credit** offers a wage credit for companies located within a Renewal Community that hire and retain employees living within the same zone. The credit is up to \$1,500 per eligible employee per year.

The **Native American Indian Employment Credit (IEC)** allows businesses located within a designated Indian reservation a federal income tax credit to hire and retain Native Americans and their spouses. The credit is up to \$4,000 per eligible employee per year.

#### Solution

In conjunction with the National Employment Opportunities Network ("NEON"), TALX is actively monitoring proposed legislation and working with NEON in the extension of these federal tax credits. Several bills have been proposed to extend the IEC (S 288 & HR 474) and Federal Empowerment Zone and Renewal Community Incentives (S 1222 & HR 1677), but legislation may not be enacted until later this year. Although the Katrina category for the Work Opportunity Tax Credit has expired, TALX is continuing to identify eligible employees in the event legislation is extended retroactively to the sunset date of August 30, 2009.

#### Value

These federal incentives can be very advantageous, because the incentives can offset federal income tax liability as well as up to 25% of the federal Alternative Minimum Tax (AMT). If your company is interested in receiving more information about the expiration of the above credits please contact **Pete Krieshok** at (314)214-7325 or via email at [pkrieshok@talx.com](mailto:pkrieshok@talx.com).