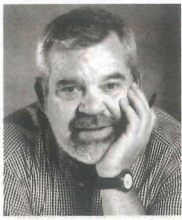


Get A Federal Tax Break For New Hires

BY BRUCE DOBB, PARTNER AND CEO, CONCERNED CAPITAL



The biggest news story for the economy in 2014 was that hiring is back. Headlines on CNN blared, "Good news! Hiring to pick up in 2015!" One expert told Bloomberg, "The jump in payrolls at the end of 2014 is the kind of numbers you get in a booming economy."

According to news sources, hiring was solid across most large industries, and smaller companies with fewer than 50 employees gained 106,000 jobs in November alone. Overall, the economy generated some 250,000 new jobs that month — a number that rivaled those in pre-recession America.

Garment companies have joined the rush to hire as orders swell. There has been a resurgence of American manufacturers overall, who have added more than 500,000 jobs since 2010, making it the strongest period of job growth for manufacturing since 1989. Retail jobs were up for the year and unemployment dropped below 6%.

To spur hiring, Congress extended the Work Opportunity Tax Credit for 2014 and will probably do it again for 2015. The Work Opportunity Tax Credit (WOTC) is a Federal tax credit available to any for-profit business that hires individuals from certain underemployed target groups faced with significant barriers to employment. Credits can range from \$2,400 to \$24,000 per new employee.

Many smaller businesses don't take advantage of this federal hiring tax credit because they either don't know about it or think it only applies to large companies. Applying for it is not difficult, nor is there a restriction on the number of times one can apply for a credit.


The WOTCs (affectionately referred to as watzies) is designed to encourage employers to hire from 'targeted groups' such as veterans or food stamp recipients. These classifications are broad and there are some 12 eligible groups. An employee who lives in a low-income community may be eligible for that reason alone, and blue-collar and skilled workers can be found eligible once an employer understands the criteria.

Larger companies with high priced tax advisors take full advantage of this program because it generates credits that are a dollar for

dollar direct reduction of federal tax liabilities and are far more valuable than simple tax deductions. Another big advantage of these credits is that they can be carried forward up to 20 years in the future. This protects against future tax liability — which is always attractive to potential buyers of the company.

Smaller companies lose out because they fail to file an application for the credit within the required 28 days of hiring an eligible worker. If an application for WOTC certification is not filed with the appropriate state agency within that period it is lost forever. While there is a cap on the amount of credit that can be taken for the first two years of employment, the fact that these credits carry forward for 20 years is a powerful incentive to capture as many as possible in the higher valued categories and to file for as many new hires as possible. There's no penalty if an application is deemed ineligible for the credit and it does not cost anything to file the application.

The simple IRS application for this hiring tax credit is Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, and is easy to find online. It's a three page questionnaire that can be part of an employment application process. Once completed, the employer ships a request for certification to the appropriate state agency, and the state certifies eligibility for the Federal Government under the WOTC Program. The employer is subsequently sent a written acknowledgement that has been WOTC certified.

The actual mechanics of how the credit applies to your company's tax situation are usually handled by a CPA or another qualified tax preparer, but the calculations are not that difficult. This is one tax credit that is not just for the 'big guys'. It's a federal hiring incentive that can make a big difference in how much profit a company gets to keep. 

Bruce Dobb
Partner and CEO
Concerned Capital
830 Traction Avenue, Suite 3A
Los Angeles, CA 90013
Tel: 213-787-4532
www.concernedcapital.org