



---

## **Subject: Young Workers – Big Tax Credits!**

### **Who Can Benefit From This Email?**

Profitable businesses who employ lower wage employees ages 16 – 24 can save thousands of dollars annually in “work opportunity tax credits” for “disconnected youth”. AccuPay recently saved a food services client nearly \$20,000 in federal WOTC credits for year 2009.

### **WOTC Tax Credits and Disconnected Youth**

The Federal government has long provided tax incentives to employers who hire certain targeted groups of people – generally people on food stamps or other public assistance.

In February of 2009, a new category was added for “disconnected youth” – which essentially are people ages 16 – 24 who are not regularly attending school nor regularly working – and who lack essential job skills. Much of this group did not finish high school, and many are “hanging out”. Some studies estimate the number of age 16 – 24 “disconnected youth” nationally to be over 5 million, or 16% of the age 16 – 24 age group.

### **How Much are the Tax Credits Worth?**

The Federal income tax credits are earned if the “disconnected youth” works at least 120 hours for you, and are “capped” at \$2,400 per employee for those who work at least 400 hours for you. The tax credits are a dollar-for-dollar offset to Federal income tax on business profits. Generally a tax credit is worth 3 times a tax deduction. Work opportunity tax credits earned by “S” corporations, partnerships and LLC’s “flow through” on K-1 schedules to the business owners’ personal income tax returns.

### **Procedures to Obtain the Tax Credits**

- Provide each job applicant with IRS and Department of Labor forms which identify eligibility of new hires for the credits;

- Submit the forms to each state’s “WOTC Coordinator” for review and cross – referencing to various data bases; and
- Monitor the hours worked for each employee who is certified as eligible for the WOTC tax credit.

**AccuPay has WOTC tax credit forms and a “WOTC applicants kit” available for download on our website. Simply go to [www.accupay.com](http://www.accupay.com), click on the Forms & Downloads link, and scroll down to the WOTC Tax Credit section.**

### **AccuPay WOTC Processing Services**

AccuPay can provide you with turnkey WOTC tax credit procurement services on a contingent fee basis – we are compensated only if we can obtain Federal income tax credits for you. Contact your processor at 885-7600 to obtain more information about earning WOTC federal income tax credits.

### **In Conclusion**

If you pay income tax on business profits and hire relatively unskilled younger workers, you may be entitled to significant tax credits as incentives for hiring “disconnected youth”. Wal-Mart, Kroger and Texas Roadhouse claim them – what about you?

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.