

WORK OPPORTUNITY CREDIT

Information for NC Ex-Offenders and Prospective Employers

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What is the Work Opportunity Credit (WOC)?

The WOC is a federal tax credit under Section 51 of the Internal Revenue Code, available to businesses that employ individuals from certain “targeted groups,” including ex-felons. An ex-felon is eligible for a period of 1 year from the date of conviction or release from prison. The credit is computed as a percentage of first year wages paid, on a maximum of \$6,000 of wages.

For the employer to receive any credit, the employee must work at least 120 hours. If the employee works at least 120 hours but less than 400 hours, the credit is 25% of qualifying wages. If the employee works at least 400 hours, the credit is 40% of qualifying wages. Therefore, the maximum credit is \$2,400 (\$6,000 x 40%). The credit reduces the employer’s federal income tax liability on a dollar-for-dollar basis.

How does the employer claim the credit?

The employer claims the credit by filing IRS Form 5884, Work Opportunity Credit, with its business tax return for the year the qualifying wages are paid. The employer must first obtain certification for the employee from the state workforce agency. In North Carolina, this is the Employment Security Commission (ESC). To do this, the employer must mail a properly completed *IRS Form 8850, Pre-Screening Notice and Certification Request for Work Opportunity Credit*, and *DOL Form 9061, Individual Characteristics Form*, to the ESC **within 28 days of the hire**. Once the employee is certified, the ESC will mail the employer a certification document to keep with its tax records. Forms 8850 and 9061 should be mailed to:

Employment Security Commission
WOTC/Applicant Services
P.O. BOX 27625
RALEIGH, NC 27611

ESC contact: (919) 733-4896, email: virginia.terrell@ncmail.net

Page 1 of Form 8850 must be completed and provided to the employer on or before the date of hire. The employee can help save the prospective employer time and assure that accurate information is provided by completing page 1 of Form 8850 along with the applicant information on Form 9061 prior to the hiring interview.

For current forms and other information, on the Internet go to
www.doleta.gov/business/incentives/opptax