



# 2025 WOTC HANDBOOK

WORK OPPORTUNITY TAX CREDIT



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## Introduction to the Work Opportunity Tax Credit

The Work Opportunity Tax Credit (WOTC) exists to incentivize private employers to hire individuals who consistently face significant barriers to employment. This initiative serves to target specific groups such as:

- Temporary Assistance for Needy Families Recipients (TANF)
- Unemployed and Disabled Veterans
- Ex-Felons
- Individuals living in Empowerment Zones and Rural Renewal counties
- Vocational Rehabilitation Referred Individuals
- Summer Youth Employees (living in Empowerment Zones)
- Supplemental Nutrition Assistance Program (SNAP) Recipients
- Supplemental Security Income (SSI) Recipients
- Long-Term Unemployment Recipients

The Work Opportunity Tax Credit is a Federal program that was initiated by the passage of The Small Business Job Protection Act of 1996. The most recent WOTC authorization was passed on December 21, 2020 with The Consolidated Appropriations Act, 2021 (Section 113 of Division EE P.L. 116-260). The Consolidated Appropriations Act, 2021 reauthorizes the WOTC program target groups through December 31, 2025.

## How WOTC Works

Tax credits that employers can earn through WOTC are based upon three factors:

- The target group of individuals being hired
- Wages paid to the new hire
- Amount of hours worked

Maximum tax credits in the WOTC program allow businesses hiring first-year employees to be reimbursed up to \$4,800 to \$9,600 for disabled veterans, \$4,000 for long-term recipients of Temporary Assistance to Needy Families (TANF), \$1,200 for summer youth employees, and \$2,400 for all other target groups.

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<b>Veteran Target Group</b>	<b>Worked at least 120 hours but less than 400 hours</b>	<b>Worked at least 400 hours</b>
Receives SNAP (food stamps) benefits	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
<b>Entitled to compensation for service-connected disability:</b>		
Hired 1 year after leaving service	<b>Up to \$3,000</b> (25% of \$12,000 of first-year wages)	<b>Up to \$4,800</b> (40% of \$12,000 of first-year wages)
Unemployed at least 6 months	<b>Up to \$6,000</b> (25% of \$24,000 of first-year wages)	<b>Up to \$9,600</b> (40% of \$24,000 of first-year wages)
<b>Unemployed:</b>		
At least 4 weeks	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
At least 6 months	<b>Up to \$3,500</b> (25% of \$14,000 of first-year wages)	<b>Up to \$5,600</b> (40% of \$14,000 of first-year wages)
<b>Other WOTC Target Groups</b>	<b>Worked at least 120 hours but less than 400 hours</b>	<b>Worked at least 400 hours</b>
Short-Term TANF Recipient	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
Long-Term TANF Recipient	<b>N/A</b>	<b>Up to \$9,000</b> (over 2 years) (40% of \$10,000 of first-year wages and 50% of \$10,000 of second-year wages)
SNAP (food stamp) Recipient	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
Designated Community Resident	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
Vocational Rehabilitation Referral	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
Ex-Felon	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
SSI Recipient	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)
Summer Youth Employee	<b>Up to \$750</b> (25% of \$3,000 of first-year wages)	<b>Up to \$1,200</b> (40% of \$3,000 of first-year wages)
Long-Term Unemployed	<b>Up to \$1,500</b> (25% of \$6,000 of first-year wages)	<b>Up to \$2,400</b> (40% of \$6,000 of first-year wages)

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## Impact of WOTC on the Workforce

The Federal WOTC program annually returns over \$1 billion to businesses. In Calendar Year 2020 Tennessee issued 59,899 certifications which could potentially return Almost \$161 million in tax credits to employers. The six most utilized target groups were:

- 44,773 Certifications for those receiving Supplemental Nutrition Assistance Program (SNAP)
- 7,000 Certifications for short-term TANF recipients
- 3,311 certifications for SSI recipients
- 2,258 Certifications for long-term TANF recipients
- 2,211 Certifications for ex-felons
- 1,814 Certifications for veterans

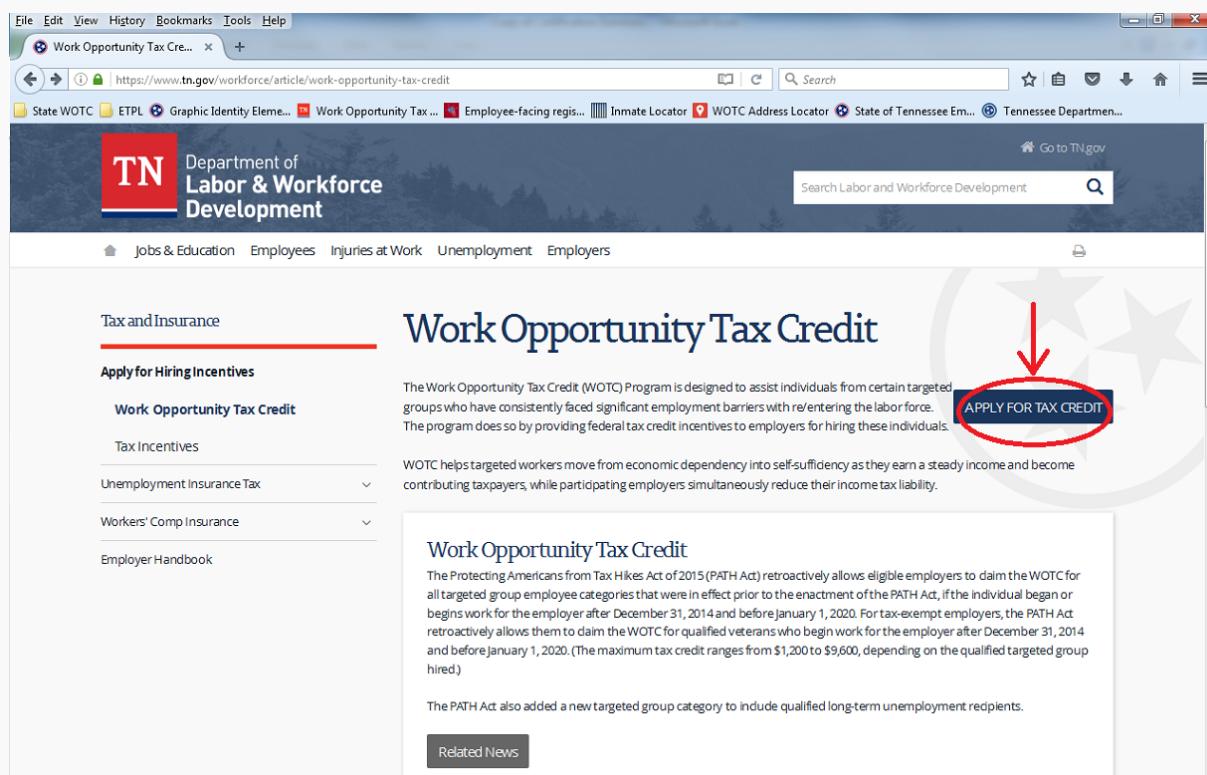
There is no limit to the number of new hires that qualify for the tax credit. The credit, or any unused portion, can be used toward the tax liability of the previous fiscal year or forward 20 fiscal years from the date the employer received the tax certificate.

## How to Apply

Applying for a tax credit is fast, easy, and only requires the completion of two forms: the IRS Form 8850 (Pre-screening Notice and Certification Request) can be found at **[www.IRS.gov](http://www.IRS.gov)** and ETA Form 9061 (Individual Characteristics Form) can be found at **[www.dol.gov/agencies/eta/wotc/how-to-file](http://www.dol.gov/agencies/eta/wotc/how-to-file)**. Both are also located on our website under Forms and Other Help Documents. The simple five-step process to submit applications for WOTC review is as follows:

1. **On or before** the date the job is offered, the applicant must fill out, sign, and date the paper IRS 8850 form located on our website under Forms and Other Help Documents.
2. Once the decision to hire has been made the employer must complete the second page of the paper IRS 8850 form located on our website under Forms and Other Help Documents.
3. **On or before** the first day of hire, the employer must fill out the paper ETA Form 9061 located on our website under Forms and Other Help Documents.
4. After the paper forms are completed, the employer **must** submit an electronic application through **[www.tn.gov/workforce/article/work-opportunity-tax-credit](http://www.tn.gov/workforce/article/work-opportunity-tax-credit)**.

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5. An online application must be submitted **within 28 days** of the start date.
6. All determinations will be issued through the online portal. Employers then claim the tax certificate as a general business credit on Form 3800 against their income tax liability; tax-exempt organizations claim the credit on Form 5884-C as a credit against the employer's share of a payroll tax.
7. Further information on filling out and filing the Form 3800 and Form 5884-C can be found at: **[www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit-1](http://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit-1)**.

## Benefits of the Online Portal

The online portal is a user-friendly platform to:

- Upload a single Excel spreadsheet to submit multiple applications
- Streamline the review of applications
- Interface with other Tennessee agencies for rapid information sharing
- Promote an expedited issuance of determinations
- Reduce the environmental impact
- Manage applications
- Run reports
- Manage audits

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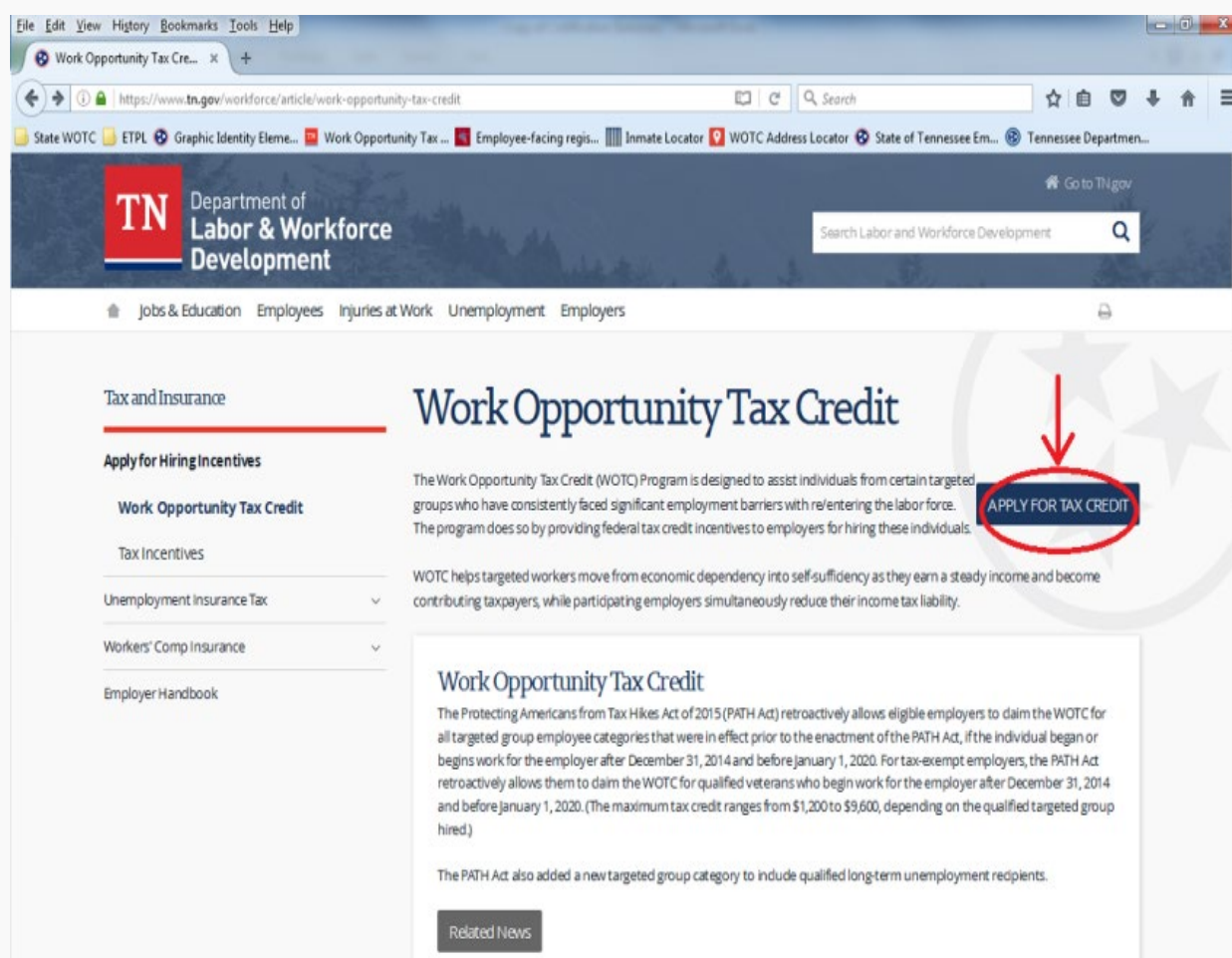


Although applications will be received, and credits will be issued electronically, it is mandatory for the legal forms holder to maintain paper copies in the event of an IRS audit.

## Troubleshooting

Both the Employer User Guide and Consultant User Guide can be found in four easy steps:

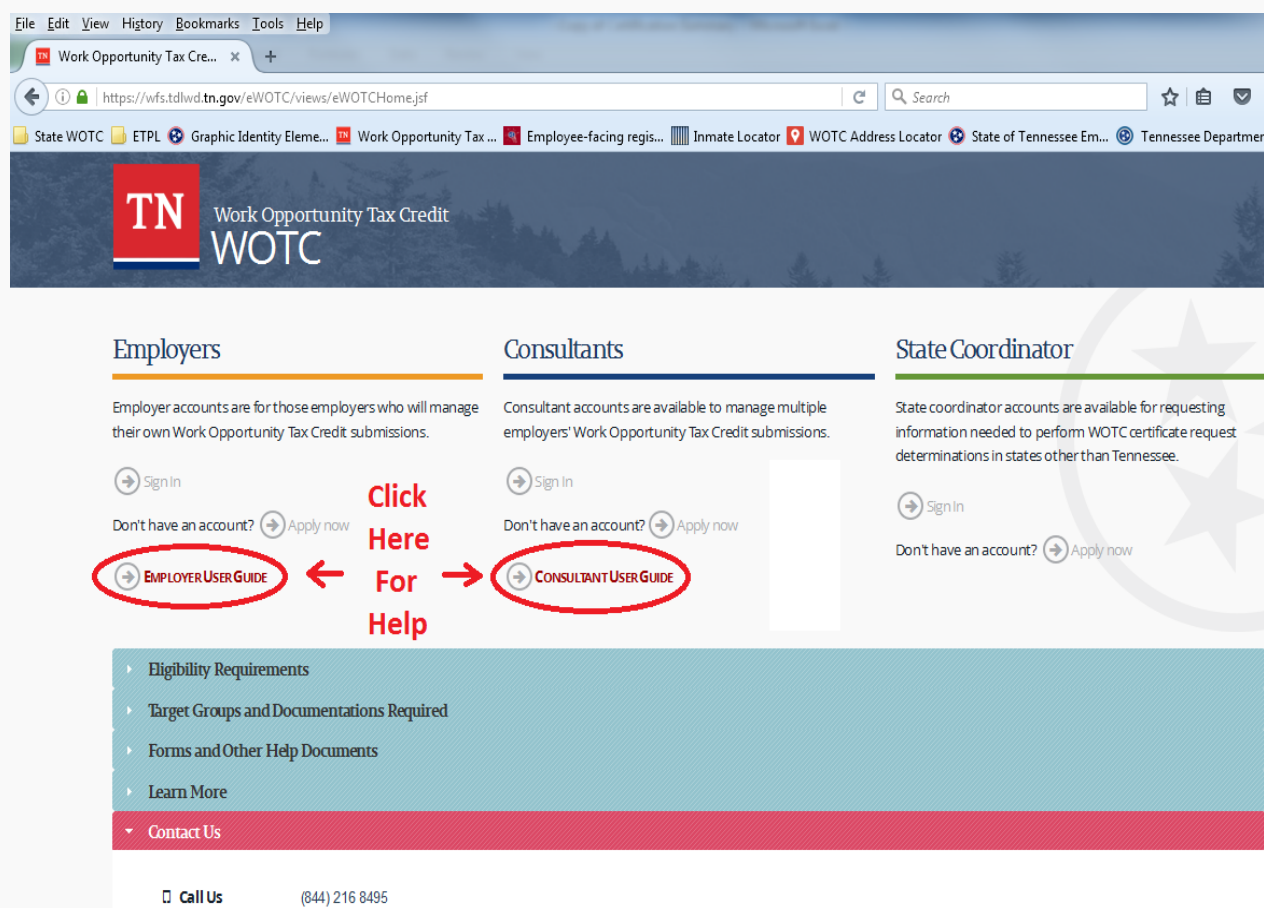
1. Visit **[www.tn.gov/workforce/article/work-opportunity-tax-credit](https://www.tn.gov/workforce/article/work-opportunity-tax-credit)**
2. Click the “Apply for Tax Credit” button



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3. Click either the “Employer User Guide” or “Consultant User Guide” button:



4. Once the “Employer User Guide” or “Consultant User Guide” button is clicked, a PDF will open onto the screen. This will provide step by step instructions for registration.

**For more help email [WOTC.info@tn.gov](mailto:WOTC.info@tn.gov) or call 844-216-8495**

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## WOTC Target Group Requirements

### Short-Term Family Assistance Recipient

This target group refers to any person who is a member of a family receiving Temporary Assistance for Needy Families (TANF) benefits for any nine months during the 18-month period ending on the hire date.

### Veterans

To be considered a qualified veteran under the WOTC program, an individual must meet these two requirements:

1. Have served on active duty (not including training) in the U.S. Armed Forces for more than 180 days or have been discharged or released from active duty for a service-connected disability; **and**
2. Cannot have a period of active duty (not including training) of more than 90 days that ended during the 60-day period ending on the hire date.

**Veteran Receiving SNAP Benefits:** This target group refers to any qualified veteran who is a member of a family receiving Supplemental Nutrition Assistance Program (SNAP) benefits for at least a 3-month period during the last 15 months ending on the hire date.

**Recently Separated Disabled Veteran:** This target group refers to any qualified veteran entitled to compensation for a service-connected disability **and** has a hire date which is not more than one year after having been discharged or released from active duty in the U.S. Armed Forces.

**Long-Term Unemployed Disabled Veteran:** This target group refers to any qualified veteran entitled to compensation for a service-connected disability **and** has aggregate periods of unemployment of 6 months or more during the one-year period ending on the hire date.

**Short-Term Unemployed Veteran:** This target group refers to any qualified veteran having aggregate periods of unemployment of at least 4 weeks but less than 6 months in the year prior to being hired.

**Long-Term Unemployed Veteran:** This target group refers to any qualified veteran having aggregate periods of unemployment of 6 months or more in the year prior to being hired.

**Note:** Qualified tax-exempt organizations 501(c) who hire WOTC qualified veterans may apply the tax credit against the organization's payroll taxes.

### Ex-Felons

This target group refers to any person who has been convicted of a felony **and** who is hired within 1 year after the conviction date or release date from prison.

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### Designated Community Residents

This target group refers to any person who is at least age 18, but not yet age 40, on the hire date **and** has his/her principal place of abode within an Empowerment Zone (EZ) or Rural Renewal County.

Note: Employers may access the Empowerment Zone locator map through the HUD website at:

<https://www.google.com/maps/d/viewer?mid=zsQL>

### Vocational Rehab Referral

This target group refers to any person with a disability who completed or is completing rehabilitative services from a State certified agency, an Employment Network under the Ticket to Work program, or the U.S. Department of Veteran Affairs within two years of the hire date.

### Summer Youth Employee

This target group refers to any person who:

- Is age 16 but not yet age 18 on the hire date or, if later, on May 01 of the calendar year involved; **and**
- Has a duration of employment between May 01 and September 15; **and**
- Has not been employed by the same employer prior to the 90-day period between May 01 and September 15; **and**
- Has his/her principal place of abode within an Urban/Rural Empowerment Zone (EZ).

Note: See target group “D” for information on resources to find the EZ located in Tennessee.

### Supplemental Nutrition Assistance Program (SNAP) Recipient

This target group refers to any person who:

- Has attained the age of 18, but not yet 40, on the hire date; **and**
- Is a member of a family receiving assistance under SNAP for the six-month period ending on the hire date; **or**
- Is an able-bodied adult without dependents who ceases to be eligible for SNAP benefits, but has received assistance for at least three months of the five-month period ending on the hire date.

### Supplemental Security Income (SSI) Recipient

This target group refers to any person who is receiving SSI benefits for any month during the 60-day period ending on the hire date.

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### Long-Term Family Assistance Recipient

This target group refers to any person who is:

- A member of a family receiving Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hire date; **or**
- A member of a family receiving assistance for a total of at least 18 months (whether or not consecutive) beginning after August 05, 1997, and has a hire date which is not more than two years after the end of the earliest 18-month period; **or**
- A member of a family that ceased to be eligible for assistance by reason of any maximum payment limitation imposed by state or federal law and has a hire date which is not more than 2 years after the date of such cessation.

First-year tax credit for this target group allows employers of first-year hires working at least 400 hours to be eligible to receive a maximum credit amount of \$4,000.

Second-year tax credit for this target group allows employers of second-year hires working at least 400 hours to be eligible to receive a maximum credit amount of \$5,000.

**The maximum two-year credit for this target group is \$9,000.**

### Long-Term Unemployment Recipient

This target group refers to any person who is unemployed for no less than 27 consecutive weeks **and** received unemployment compensation (which may be less than 27 weeks) for a period of time under state or federal law.

## **Applicants Not Eligible for WOTC Credits**

- Any employee who has worked for the company in the past (except target group F)
- Relatives (including: sons, daughters, step-children, spouses, fathers, mothers, brothers, sisters, step-brothers or sisters, nephews, nieces, uncles, aunts, cousins, or in-laws)
- No tax credit can be claimed for federally subsidized on-the-job training; however, wages paid after the subsidy expires can qualify for the credits
- Non-United States citizens or non-permanent residents
- Majority owners of the business

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**Don't forget to submit forms though our fast, easy to use website at  
[www.tn.gov/workforce/article/work-opportunity-tax-credit](http://www.tn.gov/workforce/article/work-opportunity-tax-credit)**

**Fast! Easy! User Friendly!**

## Work Opportunity Tax Credit

**Step 1**  
[APPLY FOR TAX CREDIT](#)

The Work Opportunity Tax Credit (WOTC) Program is designed to assist individuals from certain targeted groups who have consistently faced significant employment barriers with re/entering the labor force. The program does so by providing federal tax credit incentives to employers for hiring these individuals.

WOTC helps targeted workers move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers, while participating employers simultaneously reduce their income tax liability.

### Employers

Employer accounts are for those employers who will manage their own Work Opportunity Tax Credit submissions.

[Sign In](#)  
 Don't have an account? [Apply now](#)  
[EMPLOYER USER GUIDE](#)

### Consultants

Consultant accounts are available to manage multiple employers' Work Opportunity Tax Credit submissions.

[Sign In](#)  
 Don't have an account? [Apply now](#)  
[CONSULTANT USER GUIDE](#)

### State Coordinator

State coordinator accounts are available for requesting information needed to perform WOTC certificate request determinations in states other than Tennessee.

[Sign In](#)  
 Don't have an account? [Apply now](#)

### Necessary Forms

[IRS Form 8850](#) [ETA Form 9061](#) [ETA Form 9175](#)

[Status Descriptions Document](#) [Target Group Descriptions](#)

[Bulk File Layout - Excel](#) [Bulk File Layout - Fixed length Text](#)

[Employer User Guide](#) [Consultant User Guide](#)

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