TAX INCENTIVES

For TEXAS EMPLOYERS

The Texas Workforce Commission offers Texas employers two tax incentives for hiring targeted harder-to-place workers. To offset the additional attention or accommodations necessary to employ these workers, employers may qualify for federal tax credits up to $9,000 and state tax refunds of up to $2,000 per employee. The Work Opportunity Tax Credit (WOTC) is a federal tax credit that reduces the federal tax liability of private employers who hire from nine targeted groups. Qualified applicants who began work before September 1, 2011, can earn Texas employers up to $2,400 if they are certified for any of the first 8 of the 9 targeted groups.

Targeted Groups

•Qualified Temporary Assistance to Needy Families Recipients (TANF)
•Qualified Veterans/Disabled Veterans
•Qualified Ex-Felons
•Qualified Designated Community Residents (DCR) residing in an Empowerment Zone (EZ), Renewal Community (RC), or in a Rural Renewal County (RRC)•Qualified Vocational Rehabilitation Agency Referrals
•Qualified Summer Youth (SY)
•Qualified Food Stamp Recipients (FS)
•Qualified Supplemental Security Income Recipients (SSI)
•Qualified Long – Term Family Assistance Recipients. (LTFAR)

Please Note: To obtain tax credits, employers file IRS Form 8850, which must be postmarked within 28 days of the applicant's start date. See below for downloadable IRS forms and other relevant tax documents.

Qualified Ex- Felon?

Definition: The applicant has been convicted of a felony or released from prison for a felony in the past year.
Required Documentation: Release Papers or other court document showing the felony conviction and or felony release dates.

How to Calculate the Credit

WOTC is a Two-Tiered System Based on Retention:

Tier 1 Employee works 120 hours to 399 hours.
Credit is equal to 25% of qualified first year wages.
Qualified first year wages are capped at $6,000.
Maximum Credit: $1,500
Applies to all WOTC target groups except the New Disabled Veteran Subgroup; and Summer Youth.

Tier 2 Employee works 400 hours or more.
Credit is equal to 40% of qualified first year wages.
Qualified first year wages are capped at $6,000.
Maximum Credit: $2,400
Applies to all WOTC targeted groups except the New Disabled Veteran Subgroup; Summer Youth; and LTFA.

#1 Myth: People leaving prison don't want to work

Fact: A study of Texas prisoners revealed that 93% felt that finding a job after release was important. Only 15% of respondents reported they had something lined up on the outside.

#2 Myth: People with mental illness and developmental disabilities are violent and dangerous.

Fact: The majority of people with mental illness who are arrested and incarcerated are low-level non-violent offenders who are essentially exhibiting symptoms of untreated mental illness.

Tax Forms and Instructions for Employers interested in or currently employing ex-felons.

IRS Form 8850

ETA Form 9061

IRS Form 5884

IRS Form 5884-A

Work Opportunity Tax Credit Employer Information Packet