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As you're probably well aware of by now, Congress passed a "tax extenders" bill late in 2014 preserving dozen of expired tax provisions. Among other tax breaks, the Tax Increase Prevention Act of 2014 (TIPA) – signed by the president on December 19 — authorizes employers to claim tax credits for hiring certain disadvantaged workers,

retroactive to the beginning of the year. However, these tax provisions expired again

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new-hires on public assistance. (Special rules apply to youths hired to work in empowerment zones during the summer months.) The amount of the credit is based on a percentage of qualified wages paid to the worker during the first year of employment.

Generally speaking, qualified first-wage wages are capped at \$6,000 for purposes of the WOTC. The credit is then equal to 25% of qualified first-year wages for a worker employed at least 120 hours and 40% for someone who is employed 400 hours or more. Thus, the maximum credit is \$2,400 per qualified worker, or 40% of \$6,000, for workers in most of the target groups. The WOTC (and previous variations) has expired and been reinstated several times in the past.

In addition, the “VOW (Veterans Opportunity to Work) to Hire Heroes Act of 2011 expanded the existing credit for hiring qualified veterans. Specifically, the VOW to Hire Heroes Act made two significant changes relating to the targeted group for veterans: (1) It opened up the WOTC to certain tax-exempt employers as a credit against its share of Social Security tax and (2) it increased the allowable credit for hiring qualified veterans. Tax-exempt employers can't claim the WOTC for other target group members.

The credit can now reach as high as \$9,600 for hiring a qualified veteran; \$6,240 for vets hired by tax-exempt organizations. The exact amount of the credit depends on several factors, including the length of the veteran's unemployment before hire, the number of hours the veteran works and the veteran's first-year wages. Employers hiring veterans with service-related disabilities may be eligible for the maximum \$9,600 tax credit. Note that the amount of the credit for a tax-exempt organization can't exceed its Social Security tax for the period the credit is claimed.

To claim the WOTC on its 2014 return, an employer must obtain certification that a new-hire is a member of a targeted group. The process for certifying veterans for the

credit applies to all employers. Normally, the employer must file Form 8850, Pre-

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