

Help Wanted? Businesses That Are Hiring Should Know About The Work Opportunity Tax Credit

Businesses hanging up their Help Wanted signs should be sure to check out the work opportunity tax credit. This credit encourages employers to hire workers certified as members of any of ten targeted groups facing barriers to employment. The credit has been extended through the end of 2025.

The 10 targeted groups are:

- Temporary Assistance for Needy Families recipients
- Qualified unemployed veterans, including disabled veterans
- Formerly incarcerated individuals
- Designated community residents living in Empowerment Zones or Rural Renewal Counties
- Vocational rehabilitation referrals
- Summer youth employees living in Empowerment Zones
- Supplemental Nutrition Assistance Program recipients
- Supplemental Security Income recipients
- Long-term family assistance recipients
- Long-term unemployment recipients

Certification requirement

To claim the credit, an employer must first get certification that an individual is a member of the targeted group. They do so by submitting IRS **Form 8850, Pre-screening Notice and Certification Request for the Work Opportunity Credit**, to their state workforce agency within 28 days after the eligible worker begins work. Employers should not submit this form to the IRS. They should contact their state workforce agency with any questions about the processing of Form 8850.

Figuring and claiming the credit

Eligible businesses claim the work opportunity credit on their federal income tax return. It is generally based on wages paid to eligible workers during the first year of employment. After the employer receives Form 8850 certification, they figure the credit on **Form 5884, Work Opportunity Credit**, and then claim the credit on **Form 3800, General Business Credit**.

Special rule for tax-exempt organizations

A special rule allows tax-exempt organizations to claim the credit only for hiring qualified veterans who began work for the organization between 2020 and 2026. After the employer receives the Form 8850 certification, these organizations claim the credit against payroll taxes on **Form 5884-C, Work Opportunity Credit for Qualified Tax Exempt Organizations**.

Credit limitations on the credits

For a taxable business, the credit is limited to the business' income tax liability. Any credit remaining above the income tax liability is subject to the normal carry-back and carry forward rules. For qualified tax-exempt organizations, the credit is limited to the amount of employer Social Security tax it owes on wages paid to qualifying employees.