

Employer Information

Work Opportunity Tax Credit
Welfare-to-Work Tax Credit

Tax Incentives for Texas Employers

The Texas Workforce Commission offers Texas employers three 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 and state tax credits up to \$10,500 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 eight targeted groups. **The maximum credit is \$2,400 per eligible worker** for adult target groups. The credit is 40 percent of up to \$6,000 in qualified wages the first year of employment. Targeted groups that fit this category are described fully on page three and include:

- Qualified recipients of Aid to Families with Dependent Children (AFDC) or Temporary Assistance to Needy Families (TANF)
- Qualified veterans
- Qualified ex-felons
- Qualified food stamp recipients
- Qualified supplemental security income (SSI) recipients
- High risk youth living in an empowerment zone or enterprise community (EZ/EC)
- Referrals from an approved vocational rehabilitation agency.

Employers hiring qualified summer youth participants are eligible for tax incentives of 40 percent of the first \$3,000 in wages. **Please note: To obtain tax credits, employers file IRS Form 8850, which must be postmarked within 21 days of the employee's start date. See the back of this booklet for a copy of IRS Form 8850.***

Texas employers also may earn **Welfare-to-Work Tax Credits** when hiring long-term welfare recipients who begin work before January 1, 2002. **Tax credits of up to \$8,500 are available** if the employee is a member of a family:

- that received AFDC/TANF for at least 18 consecutive months before the hire date; or
- whose AFDC/TANF eligibility under federal or state law expired after August 5, 1997 (for applicants hired within two years after their eligibility expired); or
- that received AFDC/TANF for at least 18 months, beginning after August 5, 1997, and is hired not more than two years after that 18-month period. (The earliest period is February 2001).

The maximum credit for new hires employed for at least 400 or 180 days is 35 percent of qualified wages the first year of employment and 50 percent the second year. Qualified wages are capped at \$10,000 per year. **Please note: To obtain these tax credits, the employer files IRS Form 8850, which must be postmarked within 21 days of the employee's start date.**

Employers who hire welfare recipients, and provide and pay part of their major medical insurance costs, can receive the **State of Texas Tax Refund**. An employer may qualify for the state tax refund if:

- the employer pays certain taxes (franchise, sales and use, boat and motor, Public Utility Commission gross receipts, or inheritance) to the Texas Comptroller of Public Accounts; *and*
- pays wages during the first year of employment to a Texas resident who received TANF or Medicaid benefits within six months of the employee's start date; *and*
- provides and pays part of a qualifying employee's HMO health plan costs, self-funded or self-insured plan, or other approved health plan. Note: An employer who requests a refund for wages paid must provide the same insurance coverage to that employee as the employer provides to other employees.

Employers can recover up to 20 percent of \$10,000 in wages paid during the first year of employment, **a refund of up to \$2,000 per employee.**

If you have questions about these tax credits, please call the Texas Workforce Commission's Tax Credit Unit at 1-800-695-6879.

*You also may access IRS Form 8850 at <http://www.irs.ustreas.gov> or 1-800-829-3676. The Internal Revenue Service publishes information on filing for the WOTC tax credit in its General Business Credit publication. For more information see IRS Form 5884.

More Tax Savings for Texas Employers

Franchise Tax Credits for Child-Care Programs

The legislature created two franchise tax credits related to day-care and after-school-care programs. Eligible corporations may take advantage of these credits for qualifying expenditures made in Texas on or after January 1, 2000. These tax credits are administered by the Texas Comptroller of Public Accounts, which may be contacted at 1-800-252-1381 for more information.

Dependent Care Assistant

An employer may earn a fringe benefit for providing dependent care services either paid (directly or indirectly) or provided to an employee under a dependent care assistance program that covers only your employees. For more information on the dependents care assistance fringe benefits please contact the IRS at 1-800-829-1040.

Transportation (Commuting) Benefits

This fringe benefit applies to the following: 1) A ride in a commuter highway vehicle between the employee's home and work place. 2) A transit pass. 3) Qualified parking. The fringe benefit applies whether you provide one or a combination of these benefits to your employees. The IRS administers the qualified transportation benefits and can be reached at 1-800-829-1040.

Work Opportunity Tax Credit Definitions

Applicant Target Groups	Qualifications	Documentation*
Qualified TANF recipient	The applicant has received TANF benefits for any nine of the last 18 months.	WOTC staff will verify eligibility
Qualified veteran	The applicant is a veteran who served at least 180 days of active duty, has not been on active duty during the 90 days after the hire date and has received food stamps at least three consecutive months within the last 15 months.	Military Discharge Papers (DD214), while food stamps will be verified by WOTC staff.
Qualified ex-felons	The applicant is a felon who was convicted or released from prison in the past year and who was a member of a low-income family during the last six months. <i>See table, page four, for definition of low-income family</i>	Documentation that shows conviction and/or release dates. These may be obtained from correctional institution records, court records, etc. In addition, income documentation for each family member in the household during the six-month period preceding the hire date.
Qualified food stamp recipients	The applicant is between 18 and 24 on hiring, and is a member of a family that received food stamps for the last six months; or is an able-bodied adult without dependents who received food stamps at least three of the last five months.	Documentation of age and food stamp benefit history is required. A copy of a birth certificate or drivers license is sufficient to determine age. WOTC staff will verify food stamps.
Qualified supplemental security income recipients	The applicant must have received supplemental security income for any month during the 60 days before the date of hire.	Supplemental security income records are required for documentation. These records can be obtained through the Social Security Administration.
High risk youth living within an empowerment zone or enterprise community.	The applicant is between the 18 and 24 on hiring and lives within an empowerment zone or enterprise community (EZ/EC). <i>The chart on page four lists EZ/EC areas by ZIP code for Texas</i>	Documentation of age and proof of residence ZIP code are required. A copy of a birth certificate or driver's license may document age. A current utility bill, telephone bill or driver's license is necessary to prove address of residence.
Vocational rehabilitation referral	The applicant was referred by a rehabilitation agency approved by the State of Texas or the Department of Veterans Affairs.	Documentation must show the applicant is, or has been, receiving services and has an Individualized Written Rehabilitation Plan through a state rehabilitation agency or a Veterans Administration vocational.
Qualified summer youth employee	The applicant performs services for the employer between May 1 and September 15, is 16 or 17 years old on hiring, has not been employed by the same employer before the 90 days (summer period) between May 1 and September 15, and lives in the EZ/EC	Documentation of age and proof of residence ZIP code are required. A birth certificate or driver's license copy may document age. A current utility bill, telephone bill or driver's license is necessary to prove address of residence.

***Employers with questions about obtaining documentation should contact the WOTC Unit of the Texas Workforce Commission at 1-800-695-6879.**

Texas Empowerment Zones and Enterprise Communities by ZIP Code

County/City	ZIP Codes	Empowerment Zones and Enterprise Communities
Rio Grande Valley including Cameron, Hidalgo, Starr, and Willacy Counties	78538, 78543, 78549, 78562, 78566, 78569, 78570, 78578, 78582, 78583, 78590, 78594, 78595, 78596	Rural Empowerment Zone
Corpus Christi	78401, 78402, 78404, 78405, 78407, 78408	Renewal Community Zone
Dallas	75201, 75202, 75203, 75204, 75206, 75207, 75208, 75210, 75214, 75215, 75216, 75219, 75223, 75226, 75235, 75241, 75246	Urban Enterprise Community
El Paso	79901, 79902, 79903, 79904, 79905, 79907, 79912, 79915, 79916, 79922, 79924, 79930, 79936	Urban Enterprise Community
El Paso County	79836, 79838, 79849, 76853, 79927	Renewal Community Zone
Houston	77002, 77003, 77004, 77007, 77009, 77010, 77011, 77019, 77020, 77021, 77023, 77026	Urban Enhanced Enterprise Community
Middle Rio Grande Valley	78801, 78839, 78852, 78834	Rural Empowerment Zone
San Antonio	78200, 78201, 78202, 78203, 78204, 78205, 78207, 78208, 78210, 78211, 78212, 78215, 78235, 78237	Urban Enterprise Community
Waco	76701, 76704, 76705, 76706, 76707, 76708	Urban Enterprise Community

70% of Updated Lower Living Standard Income Levels by Family Size (Annualized) Effective June 02, 2003

Size of Family	Metro*	Non-Metro**	Dallas/Ft. Worth MSA	Houston-Galveston-Brazoria MSA
1	\$6,960	\$6,580	\$6,770	\$6,430
2	11,400	10,780	11,100	10,530
3	15,650	14,800	15,230	14,460
4	19,310	18,270	18,800	17,840
5	22,790	21,560	22,190	21,060
6	26,650	25,220	25,950	24,620
For each additional family member add	\$3,860	\$3,660	\$3,760	\$3,560

* Metro areas are defined as urban places of 50,000 or more populations. All jurisdictions within Standard Metropolitan Statistical Areas (SMSA) regardless of size are considered metro areas.

* Non-Metro areas are defined as places with less than 50,000 persons which are outside SMSA jurisdiction.

TEXAS WORKFORCE COMMISSION

WORK OPPORTUNITY TAX CREDIT

CHECKLIST FOR EMPLOYERS

- IRS Form 8850 completed and signed by:**
 - Job Seeker**
 - Employer**
- ETA Form 9061
Individual Characteristic Form (ICF)**
- Documents attached to demonstrate WOTC
eligibility**

OR
- IRS Form 8850 completed and signed with**
- ETA Form 9062
Conditional Certification from TWC or an
authorized participating agency.**

IF NECESSARY

- Power of Attorney (only in the case when an
employer uses a third party consultant, a Power
of Attorney must be filed with TWC.)**

Mail completed forms to:
Texas Workforce Commission
WOTC Unit
101 E. 15th Street, Room 332T
Austin, Texas 78778-0001

Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits

▶ See separate instructions.

Job applicant: Fill in the lines below and check any boxes that apply. Complete only this side.

Your name John Michael Doe Social security number 907 65 4321
Street address where you live 456 South St.
City or town, state, and ZIP code Anytown, TX 77123
Telephone no. (502) 555-4678
If you are under age 25, enter your date of birth (month, day, year) 01/01/77

Work Opportunity Credit

- 1 Check here if you received a conditional certification from the state employment security agency (SESA) or a participating local agency for the work opportunity credit.
- 2 Check here if **any** of the following statements apply to you.
- I am a member of a family that has received assistance from Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF), for any 9 months during the last 18 months.
 - I am a veteran and a member of a family that received food stamps for at least a 3-month period within the last 15 months.
 - I was referred here by a rehabilitation agency approved by the state or the Department of Veterans Affairs.
 - I am at least age 18 but **not** over age 24 and I am a member of a family that:
 - a Received food stamps for the last 6 months, OR
 - b Received food stamps for at least 3 of the last 5 months, BUT is no longer eligible to receive them.
 - Within the past year, I was convicted of a felony or released from prison for a felony AND during the last 6 months I was a member of a low-income family.
 - I received supplemental security income (SSI) benefits for any month ending within the last 60 days.

Welfare-to-Work Credit

- 3 Check here if you received a conditional certification from the SESA or a participating local agency for the welfare-to-work credit.
- 4 Check here if you are a member of a family that:
- Received AFDC or TANF payments for at least the last 18 months, OR
 - Received AFDC or TANF payments for any 18 months beginning after August 5, 1997, OR
 - Stopped being eligible for AFDC or TANF payments after August 5, 1997, because Federal or state law limited the maximum time those payments could be made.

All Applicants

Under penalties of perjury, I declare that I gave the above information to the employer on or before the day I was offered a job, and it is, to the best of my knowledge, true, correct, and complete.

Job applicant's signature John M. Doe

Date 5/31/00

original signature

For Employer's Use Only

Federal Tax I.D.

Employer's name ABC Plumbing Telephone no. (512) 555 1234 EIN 74-1234567

Street address 123 Main St.

City or town, state, and ZIP code Anytown, TX 77123

Person to contact, if different from above _____ Telephone no. () - _____

Street address _____

City or town, state, and ZIP code _____

If, based on the individual's age and home address, he or she is a member of group 4 or 6 (as described under Members of Targeted Groups in the separate instructions), enter that group number (4 or 6)

DATE APPLICANT: Gave information 5/30/00 Was offered job 5/30/00 Was hired 5/30/00 Started job 5/31/00

Under penalties of perjury, I declare that I completed this form on or before the day a job was offered to the applicant and that the information I have furnished is, to the best of my knowledge, true, correct, and complete. Based on the information the job applicant furnished on page 1, I believe the individual is a member of a targeted group or a long-term family assistance recipient. I hereby request a certification that the individual is a member of a targeted group or a long-term family assistance recipient.

Employer's signature Mary Smith Title H.R. Manager Date 5/31/00

Privacy Act and Paperwork Reduction Act Notice

Section references are to the Internal Revenue Code. Section 51(d)(12) permits a prospective employer to request the applicant to complete this form and give it to the prospective employer. The information will be used by the employer to complete the employer's Federal tax return. Completion of this form is voluntary and may assist members of targeted groups and long-term family assistance recipients in securing employment. Routine uses of this form include giving it to the state employment security agency (SESA), which will contact appropriate sources to confirm that the applicant is a member of a targeted group or a long-term family

assistance recipient. This form may also be given to the Internal Revenue Service for administration of the Internal Revenue laws, to the Department of Justice for civil and criminal litigation, to the Department of Labor for oversight of the certifications performed by the SESA, and to cities, states, and the District of Columbia for use in administering their tax laws. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping 2 hr., 47 min. Learning about the law or the form 28 min. Preparing and sending this form to the SESA 36 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. DO NOT send this form to this address. Instead, see When and Where To File in the separate instructions.



Instructions for Completing the IRS Form 8850

Part I *Job Applicant Information*

- * **Name**
 Name of applicant/potential employee
- * **SSN**
 Social Security Number of applicant/ potential employee
- * **Address**
 Physical address of applicant/ potential employee
- * **City/State/Zip Code**
 Self Explanatory
- * **Date of Birth**
 Only required to be filled out by applicant if under the age of 25
- * **Telephone Number**
 Self Explanatory
- * **Question #1**
 If applicant has given to the employer an ETA Form 9062
 (Conditional Certification), check the block, skip question
 # 2, have applicant sign and date.
- * **Question #2**
 If applicant does not have Conditional Certification, complete
 Question #2 checking the appropriate block.
- * **Applicant's Signature**
 Must be *ORIGINAL* Signature

Part II *Employer Use Only*

- * **Employer Name**
 Self Explanatory
- * **Telephone Number**
 Self Explanatory
- * **Federal Identification Number (EIN)**
 List *FEDERAL* employer tax number

- * **Street Address**
Self Explanatory
- * **City/State/Zip Code**
Self Explanatory
- * **Person to Contact/Telephone/Address/City/State**
To be completed by Consultant **OR** if Certification is
To be mailed to different address etc.
(i.e. a corporate headquarters)
- * **Interview Date**
Self Explanatory
- * **Job Offer**
Date job offer is made
- * **Hiring**
Date of actual hire
- * **Job Starting**
Date employee physically starts work
The 8850 must be postmarked within 21 days of the start date
- * **Signature**
Signature of Employer/Consultant
Must be **ORIGINAL** signature

Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits

▶ See separate instructions.

Job applicant: Fill in the lines below and check any boxes that apply. Complete only this side.

Your name _____ Social security number ▶ _____

Street address where you live _____

City or town, state, and ZIP code _____

Telephone no. () _____

If you are under age 25, enter your date of birth (month, day, year) ____/____/____

Work Opportunity Credit

- 1 Check here if you received a conditional certification from the state employment security agency (SESA) or a participating local agency for the work opportunity credit.
- 2 Check here if **any** of the following statements apply to you.
- I am a member of a family that has received assistance from Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF), for any 9 months during the last 18 months.
 - I am a veteran and a member of a family that received food stamps for at least a 3-month period within the last 15 months.
 - I was referred here by a rehabilitation agency approved by the state or the Department of Veterans Affairs.
 - I am at least age 18 but **not** over age 24 and I am a member of a family that:
 - a Received food stamps for the last 6 months, OR
 - b Received food stamps for at least 3 of the last 5 months, BUT is no longer eligible to receive them.
 - Within the past year, I was convicted of a felony or released from prison for a felony AND during the last 6 months I was a member of a low-income family.
 - I received supplemental security income (SSI) benefits for any month ending within the last 60 days.

Welfare-to-Work Credit

- 3 Check here if you received a conditional certification from the SESA or a participating local agency for the welfare-to-work credit.
- 4 Check here if you are a member of a family that:
- Received AFDC or TANF payments for at least the last 18 months, OR
 - Received AFDC or TANF payments for any 18 months beginning after August 5, 1997, OR
 - Stopped being eligible for AFDC or TANF payments after August 5, 1997, because Federal or state law limited the maximum time those payments could be made.

All Applicants

Under penalties of perjury, I declare that I gave the above information to the employer on or before the day I was offered a job, and it is, to the best of my knowledge, true, correct, and complete.

Job applicant's signature ▶ _____

Date ____/____/____

For Employer's Use Only

Employer's name _____ Telephone no. () - EIN ▶ _____

Street address _____

City or town, state, and ZIP code _____

Person to contact, if different from above _____ Telephone no. () -

Street address _____

City or town, state, and ZIP code _____

If, based on the individual's age and home address, he or she is a member of group 4 or 6 (as described under Members of Targeted Groups in the separate instructions), enter that group number (4 or 6) ▶ _____

DATE APPLICANT: Gave information / / Was offered job / / Was hired / / Started job / /

Under penalties of perjury, I declare that I completed this form on or before the day a job was offered to the applicant and that the information I have furnished is, to the best of my knowledge, true, correct, and complete. Based on the information the job applicant furnished on page 1, I believe the individual is a member of a targeted group or a long-term family assistance recipient. I hereby request a certification that the individual is a member of a targeted group or a long-term family assistance recipient.

Employer's signature ▶ _____ Title _____ Date / /

Privacy Act and Paperwork Reduction Act Notice

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assistance recipient. This form may also be given to the Internal Revenue Service for administration of the Internal Revenue laws, to the Department of Justice for civil and criminal litigation, to the Department of Labor for oversight of the certifications performed by the SESA, and to cities, states, and the District of Columbia for use in administering their tax laws. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: Recordkeeping 2 hr., 47 min. Learning about the law or the form 28 min. Preparing and sending this form to the SESA 36 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. DO NOT send this form to this address. Instead, see When and Where To File in the separate instructions.



SAMPLE

Individual Characteristics Form
Work Opportunity Tax Credit and
Welfare-to-Work Tax Credit

U.S. Department of Labor
Employment and Training Administration
U.S. Employment Service



1. CONTROL NO. (For Agency Use Only) <i>(Leave Blank)</i>	Individual Information (Instructions on the Back)	OMB Control No.: 1205-0371 Expires: 07/31/98 2. DATE RECEIVED (For Agency Use Only) <i>(Leave Blank)</i>
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3. EMPLOYER NAME/ADDRESS <i>ABC Plumbing 123 Main St. Anytown, TX 77123</i>	4. EMPLOYER ID NUMBER <i>74-1234567</i>	5. EMPLOYMENT START DATE <i>5-31-00</i> Starting Wage: <i>\$ 10.00</i> per hour POSITION: <i>Plumber</i>
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7. NAME OF INDIVIDUAL (Last, First, Middle) <i>Doel, John Michael</i>	8. SOCIAL SECURITY NUMBER: <i>987-65-4321</i>
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The above named individual is determined to have the following characteristics for WOTC Target Group Certification:

9. Age between 16 - 25? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If YES, indicate your "Date of Birth" below: Date of Birth <i>01-01-77</i>	10. A veteran and a member of a family that received Food Stamps for a period of at least 3 months in the last 15 months. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If YES, also complete Box 17.	11. Is a member of a family that received AFDC (TANF) benefits for any 9 months in the last 18 months. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If YES, also complete Box 17.
12. Is a member of a family that received Food Stamps for the last 6 months. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> or for at least a 3-month period within the last 5 months, BUT is no longer receiving them? Yes <input type="checkbox"/> No <input type="checkbox"/> If YES to either, also complete Box 17.	13. In the past year has been convicted of a felony or released from prison after a felony conviction. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If YES, complete below: Date of Conviction _____ Date of Release _____ Total Income for the past 6 months for all family members living in the same household? Total Income: _____ (If No Income, Enter 0 above) No. of family members living in the same household for the past 6 months, including yourself: _____	14. Lives and plans to continue living in a Federal Empowerment Zone or Enterprise Community. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> 16. Received Supplemental Security Income (SSI) benefits for any month ending within the last 60 days. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> 17. If individual is not a primary recipient of benefits, please provide the following: Name of Primary Recipient _____ City/State of Benefits _____

This section is to be completed by individuals starting work after December 31, 1997, under the Welfare-to-Work Tax Credit only.

18. Is a member of a family that:

- Has received AFDC or TANF payments for at least the last 18 consecutive months; Yes No or
- Has received/is receiving AFDC or TANF payments for any 18 months starting after August 5, 1997; Yes No or
- Stopped being eligible for AFDC or TANF payments after Aug. 5, 1997 because Federal or state law limited the maximum time such assistance is payable. Yes No

19. SOURCES USED TO DOCUMENT ELIGIBILITY:
Driver's License

Note: I certify that the information is true and correct to the best of my knowledge. I understand that the information above may be subject to verification. The signature of the party completing this form is required below.

20. SIGNATURE: <i>John M Doel</i>	21. DATE: <i>5-31-00</i>
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Box 20. Signature. If applicant completes this form, he or she must enter signature here. If applicant is a minor (under age 18), the parent or guardian should sign this box. If form is completed by the employer or his/her representative/agent, enter corresponding signature here. If form was completed by the intake staff of a SESA or participating agency, enter signature of intake staff in this box.

Box 21. Date. Enter the month, day and year in which the form was completed.

Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number. Respondents' obligation to reply to these requirements are mandatory (P.L. 104-188). Public reporting burden for this collection of information is estimated to average 8 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to the U.S. Department of Labor, U.S. Employment Service, Room: N-4470, Washington, D.C. 20210 (Paperwork Reduction Project 1205-0371).

.....
(Cut along dotted line and keep in your files)

TO THE JOB APPLICANT OR EMPLOYEE:

THE INFORMATION AND THE SUPPORTING DOCUMENTATION YOU HAVE PROVIDED IN COMPLETING THIS FORM OR IN SOME CASES OTHER INFORMATION THAT COULD HELP VERIFY THE RESPONSES YOU HAVE GIVEN TO THE ITEMS/QUESTIONS IN THIS FORM WILL BE DISCLOSED BY YOUR EMPLOYER TO THE STATE EMPLOYMENT SECURITY AGENCY (Enter corresponding State Employment Security Agency here)

IN ORDER TO QUALIFY FOR A FEDERAL EMPLOYER TAX CREDIT, PROVISION OF THIS INFORMATION IS VOLUNTARY. HOWEVER, THE INFORMATION IS REQUIRED FOR YOUR EMPLOYER TO RECEIVE THE FEDERAL TAX CREDIT. IF THE INFORMATION YOU PROVIDE IS ON A MEMBER OF YOUR FAMILY, YOU SHOULD PROVIDE HIM/HER A COPY OF THIS NOTICE.

INDIVIDUAL CHARACTERISTIC FORM (ETA- 9061)

The Individual Characteristic Form ETA Form 9061(ICF) is one of the two mandatory forms required for WOTC certification. The following is a step by step guide to completing the ICF properly.

1. **CONTROL NO.**
*Leave Blank
2. **DATE RECEIVED**
* Leave Blank
3. **EMPLOYER NAME/ADDRESS**
* Fill out the full name/address of the business that is applying for the tax credit.
4. **EMPLOYER TAX EIN NO.**
* Fill out the Employer Federal Taxpayer Identification Number.
5. **EMPLOYMENT START DATE**
* Fill out start dated, estimated starting wage and position of the employee
6. **HAVE YOU WORKED FOR THIS EMPLOYER ?**
* Check yes or no. NOTE: An employee would be ineligible for the tax credit if he/she had been previously employed by the same business.
7. **NAME OF INDIVIDUAL**
* Enter the full name of the prospective employee.
8. **SOCIAL SECURITY NUMBER**
* Enter the employee's SSN.
- 9-16. **QUESTIONS 9-16**
* Complete each box with a check mark indicating yes or no as the questions apply to the employee.
17. **PRIMARY RECIPIENT**
* If applicant is not the primary recipient for AFDC or Food Stamps, please include the following: name,city/state of benefits, SSN & case number if available.
18. *This sections applies only to individuals who start work after December 31,1997 under the Welfare-To-Work Tax Credit.*
19. **SOURCES USED TO DOCUMENT ELIGIBILITY**
* List the sources used by the employer to determine the eligibility of the employee.
20. **SIGNATURE**
* The person completing the ICF is the one who signs it, unless the employee is under 18. Otherwise, the signature can be the employee, employer or consultant.
21. **DATE** Fill in the date the ICF was completed.

Individual Characteristics Form
Work Opportunity Tax Credit and
Welfare-to-Work Tax Credit

U.S. Department of Labor
Employment and Training Administration
U.S. Employment Service



1. CONTROL NO. (For Agency Use Only)	Individual Information (Instructions on the Back)	OMB Control No.: 1205-0371 Expires: 07/31/98
2. DATE RECEIVED (For Agency Use Only)		

3. EMPLOYER NAME/ADDRESS	4. EMPLOYER ID NUMBER	5. EMPLOYMENT START DATE Starting Wage: \$ _____ per hour POSITION:
6. Have you worked for the above employer before? Yes _____ No _____		

7. NAME OF INDIVIDUAL (Last, First, Middle)	8. SOCIAL SECURITY NUMBER:
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The above named individual is determined to have the following characteristics for WOTC Target Group Certification:

9. Age between 16 - 25? Yes _____ No _____ If YES, indicate your "Date of Birth" below: Date of Birth _____	10. A veteran and a member of a family that received Food Stamps for a period of at least 3 months in the last 15 months. Yes _____ No _____ If YES, also complete Box 17.	11. Is a member of a family that received AFDC (TANF) benefits for any 9 months in the last 18 months. Yes _____ No _____ If YES, also complete Box 17.
12. Is a member of a family that received Food Stamps for the last 6 months. Yes _____ No _____ or _____ for at least a 3-month period within the last 5 months, BUT is no longer receiving them? Yes _____ No _____ If YES to either, also complete Box 17.	13. In the past year has been convicted of a felony or released from prison after a felony conviction. Yes _____ No _____ If YES, complete below: Date of Conviction _____ Date of Release _____ Total Income for the past 6 months for all family members living in the same household? Total Income: _____ (If No Income, Enter 0 above) No. of family members living in the same household for the past 6 months, including yourself: _____	14. Lives and plans to continue living in a Federal Empowerment Zone or Enterprise Community. Yes _____ No _____ 16. Received Supplemental Security Income (SSI) benefits for any month ending within the last 60 days. Yes _____ No _____
15. Is receiving or has received Rehabilitation Services through a State Rehabilitation Services program or the Veterans' Administration. Yes _____ No _____	17. If individual is not a primary recipient of benefits, please provide the following: Name of Primary Recipient _____ City/State of Benefits _____	

This section is to be completed by individuals starting work after December 31, 1997, under the Welfare-to-Work Tax Credit only.

18. Is a member of a family that:

- Has received AFDC or TANF payments for at least the last 18 consecutive months; Yes _____ No _____ or _____
- Has received/is receiving AFDC or TANF payments for any 18 months starting after August 5, 1997; Yes _____ No _____ or _____
- Stopped being eligible for AFDC or TANF payments after Aug. 5, 1997 because Federal or state law limited the maximum time such assistance is payable. Yes _____ No _____

19. SOURCES USED TO DOCUMENT ELIGIBILITY:

Note: I certify that the information is true and correct to the best of my knowledge. I understand that the information above may be subject to verification. The signature of the party completing this form is required below.

20. SIGNATURE:	21. DATE:
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INSTRUCTIONS FOR COMPLETING THE INDIVIDUAL CHARACTERISTICS FORM (CF) ETA 9061, Work Opportunity and Welfare-to-Work Tax Credits. This form is used in conjunction with the IRS Form 8850 to determine eligibility for the Work Opportunity Tax Credit (WOTC) and/or the Welfare-to-Work (WVW) Tax Credit. The form may be completed by the applicant, the employer, or employer representative, the SESA or the Participating Agency (PA) and signed by the person or agency filing out the form. Note: This form is required to be used, without modification, by all employers or third parties serving under contract as an agent or representative of the employer.

- Box 1:** Control Number (for agency use only). The SESA or PA determines the Control Number. It may be a Social Security Number, case number, or other appropriate designation which permits easy filing, identification and retrieval of forms. Enter this number here.
- Box 2:** Date (for agency use only). Enter the month, day and year when the form is received.
- Box 3:** Employer Name/Address. Enter the name and address including zip code and telephone number of the employer applying for a WOTC and/or WVW Certification.
- Box 4:** Employer ID No. Enter employer's federal taxpayer identification number.
- Box 5:** Employment Start Date/Wage/Position or Title. Enter the employment start date, the hourly wage, which the employee will be paid. If not known, enter an estimated wage. Also, enter the job or position title, which the individual will be performing for the employer.
- Box 6:** Previous Employment for this Employer. This requires a YES or NO answer. Enter a check mark (✓) in the blank space that corresponds to your answer.
- Box 7:** Name of Individual. Enter full name of prospective employee.
- Box 8:** Social Security Number. Enter individual's social security number here.
- Boxes 9 through 18:** Enter a check mark (✓) to indicate if your answer is a YES or NO. Provide additional information where requested for the WOTC and/or the WVW target group eligibility.
- Box 19:** Sources to Document Eligibility. List and/or describe the documents or sources of collateral contacts that are attached to this form or that will be provided. Indicate in parentheses, next to each document listed whether it is attached or forthcoming. Some examples are listed below. The asterisk (*) indicates documents that may be obtained by the employer. Employers may also obtain a letter from the agency that administers a relevant program, stating that the individual or a member of his/her household meets one of the eligibility requirements.

AGE/BIRTHDATE

(required for High Risk, Summer Youth & Food Stamp)

- Birth Certificate
- Driver's License
- School I.D. Card/School Records
- Work Permit
- Federal/State/Local Government I.D.*
- Hospital Record of Birth

FAMILY INCOME

(required for Ex-felon)

- Pay Stubs
- Employer Contacts
- W-2 Forms
- LI Documents
- Public Assistance Records
- Family Members' Statements
- Parole Officer Statements

EX-FELON STATUS

- Parole Officer's Name/Statement
- Correction Institution Records
- Court Record, Extract, Contact

FOOD STAMP RECIPIENT

- Food Stamp Benefit History
- Signed statement from authorized individual with specific description of months benefits were received.
- Case Number/Identifier

SSI RECIPIENT

- SSI Record or Authorization
- SSI Contact
- Evidence of SSI Issuance

NUMBER IN FAMILY

(required for Ex-felon)

- Public Assistance
- Social Service Agencies
- Family Members' Statements
- Parole Officer's Statements

VETERAN STATUS

- DD-214
- Reserve Unit Contacts
- Discharge Papers

VOCATIONAL REHABILITATION

REFERRAL

- Voc. Rehab. Agency Contact
- Social Services Agency
- Veteran's Administration Contact

AFDC/TANF & Long-Term Assistance Recipient

- AFDC Benefit History
- Signed statement from authorized individual with specific description of months benefits were received.
- Case Number/Identifier

EMPOWERMENT ZONE/ENTERPRISE

COMMUNITY

- Driver's License
- Work Permit
- Utility Bills
- Lease Documents
- Voter Registration Card
- Computer Printout From Other Government Agencies
- Foodstamp Award Letter
- Housing Authority Verification
- Landlord's Statement
- Letter From Social Service Agency or School
- Library Card**
- Medicaid/Medicare Card
- Property Tax Record
- Postmarked Envelope Addressed to Applicant
- Public Assistance Records
- Rent Receipt
- School I.D. Card
- Selective Service Registration Card
- W-4

* Where any item of documentation such as a Federal I.D. Card does not contain age or birthdate the SESA must obtain another documentary source to verify the individual's age.

** Where any item of documentary evidence, such as a Library Card does not contain the holder's address, the SESA must obtain other documentary evidence issued in the jurisdiction where the EZ/EC is located showing the holder's address.

Box 20. Signature. If applicant completes this form, he or she must enter signature here. If applicant is a minor (under age 18), the parent or guardian should sign this box. If form is completed by the employer or his/her representative/agent, enter corresponding signature here. If form was completed by the intake staff of a SESA or participating agency, enter signature of intake staff in this box.

Box 21. Date. Enter the month, day and year in which the form was completed.

Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number. Respondents' obligation to reply to these requirements are mandatory (P.L. 104-188). Public reporting burden for this collection of information is estimated to average 8 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to the U.S. Department of Labor, U.S. Employment Service, Room: N-4470, Washington, D.C. 20210 (Paperwork Reduction Project 1205-0371).

(Cut along dotted line and keep in your files)

TO THE JOB APPLICANT OR EMPLOYEE:

THE INFORMATION AND THE SUPPORTING DOCUMENTATION YOU HAVE PROVIDED IN COMPLETING THIS FORM OR IN SOME CASES OTHER INFORMATION THAT COULD HELP VERIFY THE RESPONSES YOU HAVE GIVEN TO THE ITEMS/QUESTIONS IN THIS FORM WILL BE DISCLOSED BY YOUR EMPLOYER TO THE STATE EMPLOYMENT SECURITY AGENCY (Enter corresponding State Employment Security Agency here)

IN ORDER TO QUALIFY FOR A FEDERAL EMPLOYER TAX CREDIT. PROVISION OF THIS INFORMATION IS VOLUNTARY. HOWEVER, THE INFORMATION IS REQUIRED FOR YOUR EMPLOYER TO RECEIVE THE FEDERAL TAX CREDIT. IF THE INFORMATION YOU PROVIDE IS ON A MEMBER OF YOUR FAMILY, YOU SHOULD PROVIDE HIM/HER A COPY OF THIS NOTICE.

Name(s) shown on return

Identifying number

Part I Current Year Credit (Members of a controlled group, see instructions.)

1 Enter the total qualified first-year wages paid or incurred during the tax year, and multiply by the percentage shown, for services of employees who are certified as members of a targeted group and:													
a	Worked for you at least 120 hours but fewer than 400 hours \$ × 25% (.25)	1a											
b	Worked for you at least 400 hours \$ × 40% (.40)	1b											
2 Add lines 1a and 1b. You must subtract this amount from your deduction for salaries and wages		2											
3 Work opportunity credits from pass-through entities:		3											
	<table border="1"> <thead> <tr> <th>If you are a—</th> <th>Then enter the total of the current year credits from—</th> </tr> </thead> <tbody> <tr> <td>a Shareholder</td> <td>Schedule K-1 (Form 1120S), lines 12d, 12e, or 13</td> </tr> <tr> <td>b Partner</td> <td>Schedule K-1 (Form 1065), lines 12c, 12d, or 13</td> </tr> <tr> <td>c Beneficiary</td> <td>Schedule K-1 (Form 1041), line 14</td> </tr> <tr> <td>d Patron</td> <td>Written statement from cooperative</td> </tr> </tbody> </table>	If you are a—	Then enter the total of the current year credits from—	a Shareholder	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13	b Partner	Schedule K-1 (Form 1065), lines 12c, 12d, or 13	c Beneficiary	Schedule K-1 (Form 1041), line 14	d Patron	Written statement from cooperative		
If you are a—	Then enter the total of the current year credits from—												
a Shareholder	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13												
b Partner	Schedule K-1 (Form 1065), lines 12c, 12d, or 13												
c Beneficiary	Schedule K-1 (Form 1041), line 14												
d Patron	Written statement from cooperative												
4 Current year credit. Add lines 2 and 3. (S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions.)		4											

Part II Allowable Credit (See **Who must file Form 3800** to find out if you complete Part II or file Form 3800.)

5 Regular tax before credits:		5	
<ul style="list-style-type: none"> • Individuals. Enter the amount from Form 1040, line 42 • Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return • Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return 			
6 Alternative minimum tax:		6	
<ul style="list-style-type: none"> • Individuals. Enter the amount from Form 6251, line 35 • Corporations. Enter the amount from Form 4626, line 15 • Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56 			
7 Add lines 5 and 6		7	
8a	Foreign tax credit	8a	
8b	Credit for child and dependent care expenses (Form 2441, line 11)	8b	
8c	Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)	8c	
8d	Education credits (Form 8863, line 18)	8d	
8e	Credit for qualified retirement savings contributions (Form 8880, line 14)	8e	
8f	Child tax credit (Form 1040, line 50)	8f	
8g	Mortgage interest credit (Form 8396, line 11)	8g	
8h	Adoption credit (Form 8839, line 18)	8h	
8i	District of Columbia first-time homebuyer credit (Form 8859, line 11)	8i	
8j	Possessions tax credit (Form 5735, line 17 or 27)	8j	
8k	Credit for fuel from a nonconventional source	8k	
8l	Qualified electric vehicle credit (Form 8834, line 20)	8l	
8m Add lines 8a through 8l		8m	
9 Net income tax. Subtract line 8m from line 7. If zero, skip lines 10 through 13 and enter -0- on line 14		9	
10	Net regular tax. Subtract line 8m from line 5. If zero or less, enter -0-	10	
11	Enter 25% (.25) of the excess, if any, of line 10 over \$25,000 (see instructions)	11	
12	Tentative minimum tax (see instructions)	12	
13 Enter the greater of line 11 or line 12		13	
14 Subtract line 13 from line 9. If zero or less, enter -0-		14	
15 Credit allowed for the current year. Enter the smaller of line 4 or line 14 here and on Form 1040, line 53; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 14 is smaller than line 4, see instructions		15	

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form 5884 to claim the work opportunity credit for qualified first-year wages you paid to or incurred for targeted-group employees during the tax year. Your business does not have to be located in an empowerment zone, enterprise community, or renewal community to qualify for this credit.

You can claim or elect not to claim the work opportunity credit any time within 3 years from the due date of your return on either your original return or an amended return.

Do not include wages paid to New York Liberty Zone business employees on Form 5884. Although the work opportunity credit includes qualified wages paid to these employees, the New York Liberty Zone business employee credit has a different tax liability limit and is figured separately on **Form 8884**, New York Liberty Zone Business Employee Credit.

How To Claim the Credit

To claim the work opportunity credit, you must request and be issued a certification for each employee from the state employment security agency (SESA). The certification proves that the employee is a member of a targeted group. You must receive the certification by the day the individual begins work or complete **Form 8850**, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, on or before the day you offer the individual a job.

If you complete Form 8850, it must be signed by you and the individual and submitted to the SESA by the 21st calendar day after the individual begins work. If the SESA denies the request, it will provide a written explanation of the reason for denial. If a certification is revoked because it was based on false information provided by the worker, wages paid after the date you receive the notice of revocation do not qualify for the credit.

An employee is a member of a targeted group if he or she is a:

- Qualified recipient of Temporary Assistance for Needy Families (TANF).
- Qualified veteran.
- Qualified ex-felon.
- High-risk youth.
- Vocational rehabilitation referral.
- Qualified summer youth employee.
- Qualified food stamp recipient, or
- Qualified SSI recipient.

However, if you use any wages of an employee to figure the welfare-to-work credit for any tax year, the employee is not treated as a member of a targeted group for that year.

See Form 8850 and section 51(d) for details and restrictions.

Qualified First-Year Wages

Qualified first-year wages are wages you paid or incurred for work performed during the 1-year period beginning on the date the certified individual begins work for you. The amount of qualified wages that may be taken into account for any employee is limited to \$6,000 (\$3,000 for a qualified summer youth employee). Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). If the work performed by any employee during more than half of any pay period qualifies

under FUTA as agricultural labor, the first \$6,000 of that employee's wages subject to social security and Medicare taxes qualify. For a special rule that applies to railroad employees, see section 51(h)(1)(B). Qualified wages for any employee must be reduced by the amount of any work supplementation payments you received under the Social Security Act.

The amount of qualified wages for any employee is **zero** if:

- The employee did not work for you for at least 120 hours.
- The employee worked for you previously.
- The employee is your dependent.
- The employee is related to you (see section 51(i)(1)).
- 50% or less of the wages the employee received from you were for working in your trade or business, or
- You use any of the employee's wages to figure the welfare-to-work credit for the current year.

Qualified wages do not include:

- Wages paid to any employee during any period for which you received payment for the employee from a federally funded on-the-job training program.
- Wages paid or incurred to a high-risk or qualified summer youth employee for services performed while the employee lived outside an empowerment zone, enterprise community, or renewal community.
- Wages paid or incurred for services performed by a qualified summer youth employee before or after any 90-day period between May 1 and September 15.
- Wages for services of replacement workers during a strike or lockout, and
- Wages used to figure the New York Liberty Zone business employee credit.

Specific Instructions

Note: If you only have a credit allocated to you from a pass-through entity, skip lines 1 and 2 and go to line 3.

Part I—Current Year Credit

Lines 1a and 1b

Enter on the applicable line the total qualified first-year wages paid to employees certified as members of a targeted group. Multiply the wages you enter on each line by the percentage shown on that line.

Special instructions for controlled group members. The group member proportionately contributing the most qualified first-year wages figures the group credit in Part I and skips Part II. See sections 52(a) and 1563. On separate Forms 5884, that member and every other member of the group should skip lines 1a and 1b and enter its share of the group credit on line 2. Each member then completes lines 3, 4, and 5 through 15 (or Form 3800, if required) on its separate form. Each member must attach to its Form 5884 a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualifying wages.

Line 2

In general, you must reduce your deduction for salaries and wages by the amount on line 2. This is required even if you cannot take the full credit this year and must carry part of it back or forward. However, the following exceptions apply.

- If you capitalized any salaries and wages on which you figured the credit, reduce your depreciable basis by the amount of the credit on those salaries and wages.

- You used the full absorption method of inventory costing, which required you to reduce your basis in inventory for the credit.

If either of the above exceptions applies, attach a statement explaining why the amount on line 2 differs from the amount by which you reduced your deduction.

Line 3

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron of a cooperative.

Line 4

S corporations and partnerships. Allocate the credit among the shareholders or partners. Attach Form 5884 to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

Estates and trusts. Allocate the credit on line 4 between the estate or trust and the beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

Cooperatives. Most tax-exempt organizations cannot take the credit; but a cooperative described in section 1381(a) takes the credit to the extent it has tax liability. Any excess is shared among its patrons.

Regulated investment companies and real estate investment trusts. Reduce the allowable credit to the company's or trust's ratable share of the credit. For details, see Regulations section 1.52-3(b).

Part II—Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file **Form 3800**, General Business Credit.

Who must file Form 3800. You must file Form 3800 if you have:

- A work opportunity credit from a passive activity.
- More than one credit included in the general business credit (other than a credit from Form 8844 or 8884), or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

Line 11

See section 38(c)(4) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 12

Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the applicable AMT form or schedule. Enter on line 12 the TMT from the line shown below.

- Individuals: Form 6251, line 33.
- Corporations: Form 4626, line 13.
- Estates and trusts: Form 1041, Schedule I, line 54.

Line 15

If you cannot use part of the credit because of the tax liability limit (line 14 is smaller than line 4), carry the unused credit back 1 year then forward up to 20 years. See the instructions for Form 3800 for details.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	7 hr., 39 min.
Learning about the law or the form	1 hr.
Preparing and sending the form to the IRS	1 hr., 9 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



Name(s) shown on return

Identifying number

Part I Current Year Credit

1 Enter on the applicable line below the qualified first- or second-year wages paid or incurred during the tax year and multiply by the percentage shown for services of employees who are certified as long-term family assistance recipients. Members of a controlled group, see instructions.

- a Qualified first-year wages \$ × 35% (.35)
- b Qualified second-year wages \$ × 50% (.50)

2 Add lines 1a and 1b. You **must** subtract this amount from your deduction for salaries and wages

3 Welfare-to-work credits from pass-through entities:

If you are a—	Then enter the total of the welfare-to-work credits from—
a Shareholder	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13
b Partner	Schedule K-1 (Form 1065), lines 12c, 12d, or 13
c Beneficiary	Schedule K-1 (Form 1041), line 14
d Patron	Written statement from cooperative

4 **Current year welfare-to-work credit.** Add lines 2 and 3. (S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions.)

Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)

5 Regular tax before credits:

- Individuals. Enter the amount from Form 1040, line 42
- Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return
- Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return

6 Alternative minimum tax:

- Individuals. Enter the amount from Form 6251, line 35
- Corporations. Enter the amount from Form 4626, line 15
- Estates and trusts. Enter the amount from Form 1041, Schedule I, line 55

7 Add lines 5 and 6

- 8a Foreign tax credit
- 8b Credit for child and dependent care expenses (Form 2441, line 11)
- 8c Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)
- 8d Education credits (Form 8863, line 18)
- 8e Credit for qualified retirement savings contributions (Form 8830, line 14)
- 8f Child tax credit (Form 1040, line 50)
- 8g Mortgage interest credit (Form 8396, line 11)
- 8h Adoption credit (Form 8839, line 18)
- 8i District of Columbia first-time homebuyer credit (Form 8859, line 11)
- 8j Possessions tax credit (Form 5735, line 17 or 27)
- 8k Credit for fuel from a nonconventional source
- 8l Qualified electric vehicle credit (Form 8834, line 20)

m Add lines 8a through 8l

9 Net income tax. Subtract line 8m from line 7. If zero, skip lines 10 through 13 and enter -0- on line 14

10 Net regular tax. Subtract line 8m from line 5. If zero or less, enter -0-

11 Enter 25% (.25) of the excess, if any, of line 10 over \$25,000 (see instructions)

12 Tentative minimum tax (see instructions):

- Individuals. Enter the amount from Form 6251, line 33
- Corporations. Enter the amount from Form 4626, line 13
- Estates and trusts. Enter the amount from Form 1041, Schedule I, line 54

13 Enter the greater of line 11 or line 12

14 Subtract line 13 from line 9. If zero or less, enter -0-

15 **Credit allowed for the current year.** Enter the **smaller** of line 4 or line 14 here and on Form 1040, line 53; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 14 is smaller than line 4, see instructions

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

Use Form 8861 to claim the welfare-to-work credit for wages you paid to or incurred for long-term family assistance recipients during the tax year. The credit is 35% of qualified first-year wages and 50% of qualified second-year wages paid or incurred during the tax year.

You can claim or elect not to claim the welfare-to-work credit any time within 3 years from the due date of your return on either your original return or on an amended return.

How To Claim the Credit

To claim the welfare-to-work credit, you must request and be issued a certification for each employee from the state employment security agency (SESA). The certification proves that the employee is a long-term family assistance recipient. You must receive the certification by the day the individual begins work, or you must complete **Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits**, on or before the day you offer the individual a job.

If you complete Form 8850, it must be signed by you and the individual and submitted to the SESA by the 21st calendar day after the individual begins work. If the SESA denies the request, it will provide a written explanation of the reason for denial. If a certification is revoked because it was based on false information provided by the worker, wages paid after the date you receive the notice of revocation do not qualify for the credit.

An employee may be certified as a long-term family assistance recipient if he or she is a member of a family that:

- Received assistance payments from Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hiring date,
- Received assistance payments from TANF for any 18 months (whether or not consecutive) beginning after August 5, 1997, and the employee is hired not more than 2 years after the end of the earliest 18-month period, or
- After August 5, 1997, stopped being eligible for assistance payments from TANF because Federal or state law limits the maximum period such assistance is payable, and the employee is hired not more than 2 years after the date the eligibility for such assistance ended.

Additional Information

See section 51A for more details.

Specific Instructions

Part I—Current Year Credit

Note: If you only have a credit allocated to you from a pass-through entity, skip lines 1 and 2 and go to line 3.

Line 1

Enter on the applicable line and multiply by the percentage shown the total qualified first-year or second-year wages paid or incurred to employees certified as long-term family assistance recipients. Qualified first-year wages are qualified wages you paid or incurred for work performed during the 1-year period beginning on the date the certified individual begins work for you. Qualified second-year wages are qualified wages you paid or incurred for work performed during the 1-year period beginning on the day after the last day of the first-year wage period. The amount of qualified first-year wages, and the amount of qualified second-year wages, which may be taken into account for any employee is limited to \$10,000 per year.

Qualified Wages

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). For agricultural employees, if the work performed by any employee during more than half of any pay period qualifies under FUTA as agricultural labor, that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see section 51(h)(1)(B). Qualified wages for any employee must be reduced by the amount of any work supplementation payments you received under the Social Security Act for the employee.

Qualified wages also include the following amounts you paid or incurred for the employee that are excludable from the employee's gross income.

- Premiums and other amounts you paid or incurred under an accident and health plan excluded under section 105 or 106 (the amount must be based on the reasonable cost of coverage, but may not exceed the "applicable premium" under section 4980B(f)(4)).

- Educational assistance excluded under section 127, if paid or incurred to a person not related to the employer.

- Dependent care benefits excluded under section 129.

The amount of qualified wages for any employee is zero if:

- The employee did not work for you for at least 400 hours or 180 days,
- The employee worked for you previously,
- The employee is your dependent,
- The employee is related to you (see section 51(i)(1)), or
- 50% or less of the wages the employee received from you were for working in your trade or business.

Qualified wages do not include:

- Wages paid to any employee during any period for which you received payment for the employee from a federally funded on-the-job training program, and
- Wages for services of replacement workers during a strike or lockout at a plant or facility.

Special instructions for controlled group members. The group member proportionately contributing the greatest first-year wages figures the group credit in Part I and skips Part II. See sections 52(a) and 1563. On separate Forms 8861, that member and every other member of the group should skip line 1 and enter its share of the group credit on line 2. Each member then completes lines 3, 4, and 5 through 15 (or Form 3800, if required) on its separate form. Each member must attach to its Form 8861 a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualifying wages.

Line 2

In general, you must reduce your deduction for salaries and wages by the amount on line 2. This is required even if you cannot take the full credit this year and must carry part of it back or forward.

The exceptions to this rule are as follows.

- If you capitalized any salaries and wages on which you figured the credit, reduce the amount capitalized by the amount of the credit on those salaries and wages.
- You used the full absorption method of inventory costing which required you to reduce your basis in inventory for the credit.

If either of the above exceptions applies, attach a statement explaining why the line 2 amount differs from the amount by which you reduced your deduction.

Line 3

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron of a cooperative.

Line 4

S corporations and partnerships. Prorate the credit on line 4 among the shareholders and partners. Attach Form 8861 to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

Estates and trusts. Allocate the credit on line 4 between the estate or trust and the beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

Cooperatives. Most tax-exempt organizations cannot take the credit; but a cooperative described in section 1381(a) takes the credit to the extent it has tax liability. Any excess is shared among its patrons.

Regulated investment companies and real estate investment trusts. Reduce the allowable credit to the company's or trust's ratable share of the credit. For details, see Regulations section 1.52-3(b).

Part II—Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file **Form 3800, General Business Credit**.

Who must file Form 3800. You must file Form 3800 if you have:

- A welfare-to-work credit from a passive activity,
- More than one credit included in the general business credit (other than a credit from Form 8844 or 8884), or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

Line 11

See section 38(c)(4) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 12

Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the applicable AMT form or schedule and enter the TMT on line 12.

Line 15

If you cannot use part of the credit because of the tax liability limit (line 14 is smaller than line 4), carry the unused credit back 1 year then forward up to 20 years. See the instructions for Form 3800 for details.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	8 hr., 22 min.
Learning about the law or the form	1 hr., 35 min.
Preparing and sending the form to the IRS	1 hr., 48 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



EMPLOYER APPLICATION FOR REFUND OF TAXES PAID TO THE STATE OF TEXAS-2003

Temporary Assistance for Needy Families (TANF)

**NOTE: Complete separate form for each eligible employee
To be filed ONLY on or after January 1, 2004 and before April 1, 2004
(for wages paid in 2003)**

(for Comptroller use only)
 2 INV SD FM

I. EMPLOYEE INFORMATION/RELEASE AUTHORIZATION

1. NAME (Last, First, MI) _____ 2. Social Security Number _____
3. Employment Start Date (MM/DD/YYYY) _____ 4. Employment Termination Date: (MM/DD/YYYY)
(If Applicable) _____

I hereby give my permission to the Texas Workforce Commission to certify to this employer or to the Texas Comptroller of Public Accounts that I was a recipient of financial assistance under TANF on or before my beginning date of employment.

5. Signature - Employee _____ Date _____

II. EMPLOYER INFORMATION

Period of Claim 6. Beginning Date _____ (MM/DD/YYYY) 7. Ending Date _____ (MM/DD/YYYY)
8. Employer Name _____ 9. Federal EIN _____
10. Street Address _____ 11. Telephone Number _____
12. City, State, ZIP _____
13. Contact person _____ 14. Telephone Number (if different from above) _____
15. Street Address (if different from above) _____ 16. City, State, ZIP (if different from above) _____

NOTE: If form is being completed by an agent of the taxpayer, a power of attorney must be attached to this form, or on file with the State Refund Program at the Texas Workforce Commission.

Total Wages paid DURING Claim Period in Items 6 and 7 above 17. _____
Eligible Wages (multiply Item 17 by 20%) 18. _____
Maximum Claim Allowed per employee 19. **\$2,000.00**
Refunds previously claimed for this employee 20. _____
Maximum Eligible Refund for Employee for 2003 (line 19 minus line 20) 21. _____
Refund claimed for 2002 (enter smaller of line 18 or 21) 22. _____

NOTE: The refund issued for all employees will not exceed net taxes paid and postmarked for state sales and use, franchise, boat and boat motor, inheritance, PUC gross receipts, hotel and/or manufactured housing after any applicable credits, in the calendar year that this claim covers.

III. EMPLOYER'S STATEMENT REGARDING INFORMATION

23. I certify that this taxpayer/employer provides to and pays for the benefit of this employee a part of the cost of health insurance provided under:
Check all that apply: HMO Plan Self-Funded or Self-Insured ERISA Plan Health Plan approved by*
Health Insurance Provider: _____ Commissioner of Insurance
24. Name _____ 26. Group No. _____
25. Address _____ 27. Policy No. _____
City State ZIP 28. Telephone No. () _____

I further certify under penalty of perjury that the information I have provided on this application is true and complete to the best of my knowledge and belief.

29. _____ Taxpayer/Employer or Agent Date _____

I hereby certify that the above named individual was a recipient of TANF or Medicaid any month within 6 months of the start date.

30. _____ Signature - Authorized TWC Employee Date _____

ALL RECORDS ARE SUBJECT TO AUDIT REVIEW. Employer must maintain records to support all information. If supporting documentation is needed to verify your claim, you will be contacted.

**APPLICATION FOR REFUND OF TAXES PAID FOR AN ELIGIBLE EMPLOYER OF A
CERTIFIED RECIPIENT OF TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)**

WHO MAY FILE: Any Employer:

- Who pays eligible taxes that are administered by the Comptroller of Public Accounts;
- Who pays wages during the first year of employment to an employee who is a resident of Texas *and* was a certified recipient of TANF or Medicaid any month within 6 months of the start date; *and*
- Provides and pays for the employee a part of the cost of a HMO health plan, a self-funded or self-insured plan under ERISA, or health benefit plan approved by the Commissioner of Insurance.

Note: An employer who requests a refund for wages paid to an employee must provide the same insurance coverage to that employee as is provided to other employees in their employment.

WHAT TAXES CAN BE REFUNDED: The following taxes credited to the general revenue fund paid by the taxpayer may be refunded: state sales and use, franchise, boat and boat motor, inheritance and/or PUC gross receipts, hotel and/or manufactured housing. An employer may apply for a refund of taxes paid and postmarked in the same calendar year in which wages are paid to a certified employee.

WHEN TO FILE: The employer may apply for a tax refund for wages paid an employee in a calendar year only on or after January 1 and before April 1 of the calendar year following the year the taxes/wages were paid. For example: A refund request for wages paid in calendar year 2003 must be submitted on or after January 1, 2004 but before April 1, 2004.

HOW TO FILE: After completing all items through Item 29, send the original application to:

Texas Workforce Commission
WOTC/State Tax Refund Unit—Room 332T
101 E. 15th Street
Austin, TX 78778

Properly completed forms postmarked on or after January 1st and before April 1st will be accepted. Incomplete forms will be returned. After receiving certification from the Texas Workforce Commission, this application will be forwarded to the Comptroller of Public Accounts for further verification and, if applicable, refund issuance.

SPECIFIC INSTRUCTIONS

EMPLOYEE INFORMATION – SECTION I

1. Enter the name of the employee who was a recipient of TANF during their first month of employment.
Enter last name, first name and middle initial.
2. Enter the Social Security Number of the employee listed in Item 1.
3. Enter the employment start date of the employee listed in Item 1 (MM/DD/YYYY).
4. Enter the termination date of the employee (if applicable) in Item 1. (MM/DD/YYYY).
5. The employee, listed in Items 1&2 MUST sign here authorizing the Texas Workforce Commission to certify that the employee was a recipient of financial assistance under the TANF program during the employees first month of employment. Enter date signed.

EMPLOYER INFORMATION – SECTION II

6. & 7. Enter the beginning and ending dates of the period in which the taxes and wages were paid. A separate claim must be filed for each calendar year. NOTE: The ending date will be the earlier of the employee's termination date, the employee's first anniversary date, or the end of the calendar year.

Examples:

Date of Hire	When To File	Claim Begin Date	Claim End Date
01/01/03	01/01/04 through 03/31/04	01/01/03	12/31/03
06/01/03	01/01/04 through 03/31/04	06/01/03	12/31/03
	01/01/05 through 03/31/05	01/01/04	05/31/04

8. Enter employer's name.
9. Enter the employer's/taxpayer federal identification number (EIN).
10. Enter the street address of the employer.
11. Enter the telephone number of the employer.
12. Enter City, State and Zip Code of the employer.
13. Please list a contact person.
14. Enter telephone number if different than Item 11.
15. & 16. Enter street address, City, State and Zip Code if different from Items 10 & 12.
17. Enter the amount of TOTAL WAGES paid within the first year of employment to the employee during the claim period in Items 6 & 7.
18. Enter the amount calculated by multiplying the amount in Item 17 by 20%.
20. If this is the second claim for wages paid to an employee during their first year of employment, enter the refund amount of the first claim.
21. Enter the difference of Item 19 minus Item 20. A maximum refund of \$2,000 may be claimed for each eligible employee. A prior claim filed for the same employee reduces the maximum amount allowed on this claim by the amount of the prior claim.
22. Enter the smaller of Item 18 or Item 21. This is the refund you are claiming.

INSURANCE INFORMATION – SECTION III

23. Check the block that applies to the type of medical insurance coverage that is paid for and provided to the eligible employee.
24. Enter name of Health Insurance Provider.
25. Enter address of Health Insurance Provider.
26. Enter the group number, if applicable.
27. Enter the policy number, if applicable.
28. Enter the telephone number of the Health Insurance Provider.
29. By signing, the taxpayer/employer certifies that they meet the eligibility requirements listed in the certification. If the form is completed by a duly authorized agent of the taxpayer/employer, a Power of Attorney or other written authorization must be on file with the Texas Workforce Commission WOTC/State Tax Refund Unit.
30. Signature of authorized TWC employee.

DO NOT SEND THIS FORM TO THE STATE COMPTROLLER

For Tax Refund assistance please call:

Comptroller of Public Accounts	1-800-531-5441, ext. 34545 or 512/463-4545
Texas Workforce Commission	1-800-695-6879 or 512/463-9926
Telecommunication Device for the Deaf (TDD) ONLY	1-800-248-4099 or 512/463-4621

PLEASE ALLOW A MINIMUM OF 90 DAYS TO RECEIVE YOUR REFUND