

SC WORKS

BRINGING EMPLOYERS
AND JOB SEEKERS TOGETHER

TRIDENT

TO: Trident Workforce Investment Area Contractors and Staff

ISSUANCE DATE: August 29, 2011

EFFECTIVE DATE: August 29, 2011

SUPERSEDES: N/A

SUBJECT: Work Opportunity Tax Credit and Apprenticeship Training

PURPOSE: To provide guidance in adhering to State instruction letter 11-05 in addressing whether a business can utilize both an Apprenticeship Training and the Work Opportunity Tax Credit programs simultaneously.

BACKGROUND: WOTC (Work Opportunity Tax Credit) is a federally funded program that provides an incentive to businesses to hire new employees with barriers to employment.

POLICY:


Businesses can receive the federal tax credit for each qualified new hire. For most target groups The maximum credit amount is \$2400, 40% tax credit against \$6,000 in qualifying wages. The allowable credit reduces to 25% when an employee works less than 400 hours, but at least 120 hours.

Apprenticeship is a federal or state-sponsored training program, which cultivates highly skilled workers through a combination of on-the job training and classroom-related education. Businesses can receive a South Carolina tax credit of \$1,000 per apprenticeship per year, for up to four years.

PROCEDURES:

Follow the State instruction Letter 11-05 and ensure businesses are aware of the Work Opportunity Tax Credit program and Apprenticeship Training tax credits.

Ensure that staff is aware of the



Ron Mitchum, Executive Director
BCDCOG

September 26, 2011

Date

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Nikki R. Haley
Governor

John L. Finan
Executive Director

EMPLOYMENT & TRAINING STATE INSTRUCTION NUMBER: 11-05

TO: Local Workforce Investment Area Administrators
Area Directors
One-Stop Operators
Business Service Liaisons

SUBJECT: Work Opportunity Tax Credit and Apprenticeship Training

ISSUANCE DATE: August 29, 2011

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BACKGROUND: WOTC (Work Opportunity Tax Credit) is a federally-funded program that provides an incentive to businesses to hire new employees with barriers to employment. Businesses can receive the federal tax credit for each qualified new hire. For most target groups the maximum credit amount is \$2400, 40% tax credit against \$6,000 in qualifying wages. (The allowable credit reduces to 25% when an employee works less than 400 hours, but at least 120 hours.)

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QUESTION: Can a business claim both the WOTC and Apprenticeship Tax Credits?

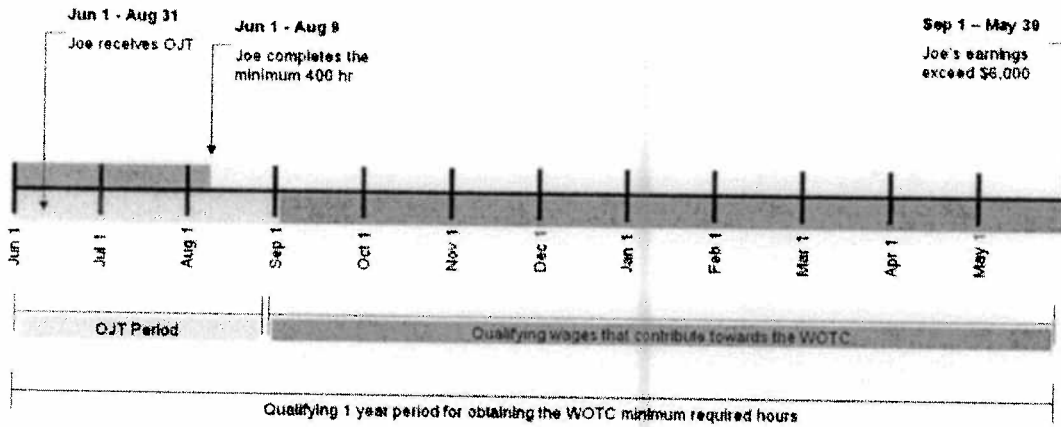
RESPONSE: Yes. Businesses can claim both the federal and state tax credits for the same worker simultaneously. Exceptions to this allowance are:

- Apprenticeships that develop the skills of a current employee. WOTC applies only to *new* hires.
- WOTC cannot be taken against federally-subsidized wages. If the apprenticeship includes federally-funded payments to the business for on-the-job training (OJT), only the wages paid *after* the OJT has ended may qualify for the WOTC. However, the time spent by the employee during the OJT period applies towards the required minimum 400 hours. (This applies to OJT even when is not part of an apprenticeship).

Example:

Construct, Inc. has hired Joe Brown, a WOTC-eligible job applicant, and has agreed to provide him apprenticeship training. Joe's one-year WOTC eligibility period is calculated from June 1, 2011 through May 30, 2012. From June 1st through August 31st Joe receives on-the-job training and his employer receives reimbursement for wages during this time. His qualifying wages for WOTC began on September 1st, after the federally-reimbursed OJT period ended.

Joe qualifies his employer for a maximum credit of \$2400 with qualifying wages capped at \$6,000. Because he has already met the minimum required 400 hours, his employer can take a 40% credit against any wages paid up to \$6,000 during the period of September 1st through May 30th.



INQUIRIES: Should you have any questions regarding this directive, please contact Laura Rushton at 803-737-2592 or lrushton@dew.sc.gov.

Patricia Sherlock
Interim Assistant Executive Director