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Tax Credit Available for Hiring Veterans

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Farmers who plan to add additional help this year may want to consider hiring veterans. There is a substantial increase in the job pool as these individuals come back into the civilian workforce. As a further incentive, you may be eligible for a generous tax credit for hiring unemployed veterans. The credit can apply to seasonal employees if they work at least 120 hours.

Recent legislation has expanded the Work Opportunity Tax Credit (WOTC) to include qualified veterans who begin work after November 21, 2011, and before January 1, 2013. To qualify for the WOTC, the veteran must have been unemployed for at least four weeks in the year prior to being hired. A qualified veteran is a veteran who falls into one of the following categories.

- Unemployed for at least six months in the 1-year period ending on the hiring date
- A member of a family receiving assistance under the Supplemental Nutrition Assistance Program (food stamps) for at least three months during the 15-month period ending on the hiring date
- Entitled to compensation for a service-connected disability and hired within one year after being discharged or released from active duty
- Entitled to compensation for a service-connected disability and unemployed for at least six months in the 1-year period ending on the hiring date

The amount of the credit depends on a number of factors, including the length of the veteran's unemployment, hours the veteran works, and the amount of first-year wages paid.

Ineligible Individuals

Wages paid to certain employees do not qualify for the credit even if the employee is a qualified veteran. Ineligible individuals include the following.

1. Persons related to the employer
2. Dependents of the owner of the business
3. Prior employees

4. Individuals working fewer than 120 hours
5. Individuals hired as replacement workers during a strike or walkout
6. Individuals who receive no more than half of their wages from the employer for working in the employer's trade or business

WOTC Certification

Farmers must obtain certification for potential employees from the state workforce agency in order to qualify for the WOTC. The following steps are required for WOTC certification.

1. The farmer prescreens potential employees by completing Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit. If the farmer believes the applicant is a member of a targeted group, the form must be completed no later than the day the job offer is made. Form 8850 must then be submitted to the state workforce agency no later than the 28th day after the job applicant begins work for the farmer.
2. One of the following forms must be completed and sent to the state WOTC coordinator.
 - ETA Form 9062, Conditional Certification Form, if the job applicant received this form from a participating agency, such as the Jobs Corps
 - ETA Form 9061, Individual Characteristics Form, if the job applicant did not receive a conditional certification

The state WOTC coordinator must certify the job applicant as a qualified veteran.

Calculating the Credit

In order to claim the WOTC, the farmer must keep track of how many hours the qualified veteran worked, the veteran's hire date, wages paid during the year, and in which category the veteran was certified before completing Form 5884, Work Opportunity Credit.

Qualified wages for purposes of the credit generally include all compensation considered as wages for federal unemployment tax (FUTA) purposes. If the work performed by an 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. In other words, the wages still qualify even if the farmer is exempt from FUTA because he does not pay more than \$20,000 in wages per quarter or employ more than 10 workers during any 20-week period.

Generally, the credit is 40% of the applicable first-year wages for the qualified veteran. However, if the veteran has worked at least 120 hours but less than 400 hours for the employer, the credit is limited to 25% of the applicable first-year wages.

The amount of qualified first-year wages that can be taken into account for a qualified veteran is limited to the following.

\$6,000 for a qualified veteran certified as being either:

A member of a family receiving assistance under the Supplemental Nutrition Assistance Program for at least a 3-month period during the 15-month period ending on the hiring date, or Unemployed for at least four weeks but less than six months in the 1-year period ending on the hiring date.

\$12,000 for a qualified veteran certified as being entitled to compensation for a service-connected disability and either:

Hired not more than one year after being discharged or released from active duty in the U.S. Armed Forces, or

Began work before November 22, 2011, and was unemployed for at least six months in the 1-year period ending on the hiring date.

\$14,000 for a qualified veteran who began work after November 21, 2011, and was certified as being unemployed for at least six months in the 1-year period ending on the hiring date

\$24,000 for a qualified veteran who began work after November 21, 2011, and was certified as being entitled to compensation for a service-connected disability, and was unemployed for at least six months in the 1-year period ending on the hiring date

After calculating the amount of the credit, the deduction for wages paid must be reduced by the amount of the credit.

Example 1. Ted Tiller hires Marc to work full time during the April/May planting season. Marc works for a total of 240 hours and earns \$3,600. If Marc had been unemployed for at least 4 weeks, he would qualify for the 25% credit on the \$3,600 of wages, or \$900.

Example 2. Use the same facts as above, except Marc becomes a full-time employee and works for more than 400 hours during 2012. Marc had also been unemployed for more than six months. If he earned \$20,000, he would qualify for a 40% credit on \$14,000, or \$5,600.

Caution

. To qualify for the credit, the employer must complete the certification papers when the worker is hired
These forms can be downloaded at:

<http://www.irs.gov/pub/irs-pdf/f8850.pdf>

http://www.doleta.gov/business/incentives/opptax/PDF/eta_form_9061.pdf

A worker that has been pre-certified must give the employer Form 9062.