
WORK OPPORTUNITY TAX CREDITS & LOCATION-BASED TAX CREDITS

BKD State and Local Tax (SALT) Services

Are you taking advantage of lucrative employment and hiring income tax credits? The expansion of the Work Opportunity Tax Credit (WOTC) program means these hiring credits now apply to more new hires. **BKD can help you take advantage of these credits.** Using a proprietary third-party database, addresses can be accurately mapped to most federal and state zones, helping you identify and take advantage of credit opportunities.

Tax Credits

If your business is in certain geographic zones and employs residents of those zones, you may be entitled to annual credits of \$1,500 to \$4,000 per qualifying employee. You may be surprised to learn there are companies earning millions of dollars each year in credits. And these are dollar-for-dollar credits, not just deductions. In fact, some credits may apply to alternative minimum tax and are available for pass-through entities. They also may be carried forward if you can't use them during the current year.

Work Opportunity Tax Credit

WOTC is a credit earned for hiring persons who fall in certain categories. Many businesses are eligible for WOTC credits but do not pursue them. Some do not pursue the credits because they are not aware of these programs or because they think the credits do not apply to their business. Unfortunately, some believe it is too difficult to participate.

The WOTC credit may be worth \$2,400 or more per qualifying person if the new hire stays for a certain number of days and earns a minimum amount for the year.

Employees who live in certain counties, empowerment zones, renewal communities or other areas may qualify for this credit, as well as qualifying

veterans, certain financial aid recipients and those who meet additional criteria.

To qualify, the job applicant must complete an easy Web-based questionnaire during the application process. The questionnaire incorporates a mapping database that automatically identifies whether an applicant lives in one of the qualifying zones.

Once an individual is identified and hired, BKD calculates the credit for you to document on your tax return.

Location-Based Tax Credit

Your business may be eligible for annual income tax credits if it has a location in certain federal zones (empowerment zones and renewal communities), and it has employees who reside in the zone.

Annual Indian employment credits may be available if your business has an employee who lives on or



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near Indian tribal land and the employee or their spouse is an enrolled member of an Indian tribe.

Using the database, BKD can search for and identify locations in a qualifying zone. Your business then provides new employee addresses and payroll data for each location in a qualifying zone for the current year. With this information, BKD can calculate the credit amount to include in your tax return.

State Tax Credits

Tax credit programs vary greatly from state to state. In general, the addition of new employees and/or property, machinery and equipment investments can trigger a credit opportunity. Some states require pre-qualification (approval before hiring additional employees or making investments) while other states do not. Identifying whether your location is in a state zone is often challenging, which is why the mapping database also includes the majority of state zones.

About BKD SALT Services

BKD SALT Services is a division of **BKD, LLP**, one of the 10 largest CPA and advisory firms in the country.

Our SALT Services division is uniquely situated to help you turn state and local taxes into an opportunity for real savings. Our team has extensive training in tax accounting, compliance, audit and economic development benefits.

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