

Update: October 2011

Tax Intelligence - Grassroots Education Will Be Key to WOTC Extension

Situation

The Work Opportunity Tax Credit was enacted in 1996 as part of the welfare reform law. It is not a permanent tax credit, so employers rely on Congress to renew it periodically. As WOTC faces expiration at the end of 2011 following a lengthy extension in 2008, a grassroots education campaign has been initiated in Washington to educate and re-educate members of Congress on the benefits of WOTC. Employers and their service providers like TALX are partnering to communicate the benefits of WOTC for the U.S. economy to our representatives in Washington.

Solution

During a very challenging economy, and in a political climate that is difficult to navigate, a targeted education campaign is necessary to encourage Congress to extend WOTC. If employers are interested in seeing WOTC continue as a program to enable individuals that face barriers to employment find jobs, they should be discussing its benefits with their representatives in Congress. Those employers should encourage Congress to pass H.R. 2082 to extend WOTC.

Several studies have been done over the years to support the benefits of WOTC. It is important for Washington to know these benefits. Most recently in 2011, Peter Cappelli of the Wharton Business School at the University of Pennsylvania completed a thorough analysis of the WOTC program. Cappelli's report and others show:

- Since 1996, the WOTC program and the employers who hire WOTC-eligible individuals have helped over 6 million people leave public assistance and secure jobs. There were 940,000 in 2010 alone.
- Employers have positively changed their hiring patterns as a result of WOTC according to a 2001 GAO report.
- WOTC encourages employers to retain workers because the longer an individual works, the greater the benefit to the employer. No credit is earned until the employee is retained at least 120 hours. The credit increases to 40% of wages from 25% of wages once the employee works at least 400 hours.
- WOTC-eligible employees tend to stay on the job longer and advance.
- WOTC is a government program that pays for itself. By targeting individuals with low work skills and other barriers to employment, the cost of WOTC is more than offset by the savings in reduced public assistance and taxes that are paid by these individuals on the job.
- WOTC eligible employees who leave their jobs are usually moving to a better job, not returning to public assistance according to a New York State Department of Labor study.

Value

Service providers like TALX are partnering with our employer clients to make sure Congress is educated on the benefits of WOTC. Congress needs to hear from employers who are creating jobs for these individuals facing barriers to employment. If you would like to learn more on how you can assist in the renewal of WOTC and the adoption of H.R. 2082, please contact Pete Krieshok at 314-214-7325 or by e-mail at pkrieshok@talx.com.