

## What's the Tax Credit for Hiring Unemployed Veterans? How Does it Work?

The **Returning Heroes Tax Credit** was authorized in November 2011 to provide tax incentives for businesses to hire veterans who have previously been unemployed. This tax credit is an expansion of the Work Opportunity Tax Credit (WOTC), which provides tax credits for companies hiring previously unemployed workers in several targeted groups. The tax credit is available for veterans hired from November 22, 2011 and before January 1, 2013 (unless extended).

### **Details of the Returning Heroes Tax Credit**

The amount of the tax credit depends on how long the returning veteran was unemployed. If your business hire a veteran who has been unemployed for at least four weeks, you will be eligible for a tax credit of 40% of the first \$6,000 of wages, up to a maximum of \$2,400. If your business hires a veteran who was unemployed for longer than six months, you could receive a credit for 40 percent of the first \$14,000 of the veteran's wages, up to a maximum of \$5,600.

If your business hires long-term unemployed veterans with service-related disabilities, the tax credit doubles, and you can receive a WOTC tax credit of up to \$9,600. The WOTC is based on the qualified employee's wages for the first year of employment.

The law creates a Wounded Warriors Tax Credit that allows your business to qualify for a tax credit for hiring veterans with service-related disabilities who have been unemployed for more than six months. The amount of this tax credit can be up to \$9,600.

State Workforce Agencies will certify veterans as meeting the required periods of unemployment based on receipt of unemployment insurance compensation.

### **How to Apply for the Returning Heroes Work Opportunity Tax Credit**

- First, you must qualify for the credit by submitting IRS Form 8850 on or before the day you offer the individual the job. This request must be approved by your state's WOTC coordinator. The first part must be completed the day the job offer is made and the second part must be completed after the individual is hired. There are other forms that need to be completed; see the Department of Labor's WOTC web page for more information.
- Then, to claim the credit each year, you must submit IRS Form 5884, showing the total employees hired in each WOTC category.

Read more about how your business can qualify for a Work Opportunity Tax Credit for hiring a returning veteran or another employee from a targeted group.