

## Tax Credit Guidance to Businesses Hiring Unemployed Veterans and Certain Youth

Businesses planning to claim the newly-expanded Work Opportunity Tax Credit (WOTC) for eligible unemployed veterans and unskilled younger workers hired during the first part of 2009 have until August 17 to request the certification required for these workers.

Although there are some higher and lower credit amounts for special groups, the credit is generally 40% of first-year wages with a maximum of \$2,400 per qualifying employee.

Form 8850, which is available from the [IRS.gov](http://IRS.gov) website, is used by employers to request certification from their state workforce agency. The American Recovery and Reinvestment Act, enacted in February, added unemployed veterans returning to civilian life and “disconnected youth” to the list of groups covered by the credit. Though eligible unemployed veterans and disconnected youth who begin work anytime during 2009 or 2010 may qualify a business for the credit, certification by the state workforce agency is required.

In general, an unemployed veteran is a person discharged or released from the military during the five years preceding the hiring date who received unemployment benefits for at least four weeks during the one-year period ending on the hiring date. A “disconnected youth” is a person age 16 to 24 on the hiring date who has not been regularly employed or attending school and who meets other requirements.

The WOTC offers tax savings to businesses that hire workers belonging to any of 12 targeted groups, including unemployed veterans and disconnected youth. The other 10 include people ages 18 to 39 living in designated communities in 43 states and the District of Columbia, Hurricane Katrina employees, recipients of various types of public assistance, and certain veterans, summer youth workers and ex-felons. The instructions for Form 8850 detail the requirements for each of these groups.

The certification requirement applies to all groups of workers except employees who were Hurricane Katrina victims. Normally, a business must file Form 8850 with the state workforce agency within 28 days after the eligible worker begins work. But under a special rule, businesses have until August 17, 2009, to file this form for unemployed veterans and disconnected youth who begin work on or after January 1, 2009 and before July 17, 2009.

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For more information please feel free to contact us at [info@millermusmar.com](mailto:info@millermusmar.com)

- 1861 Wiehle Avenue, Suite 125, Reston, VA 20190  
Tel: 703.437.8877 Fax: 703.437.8937
- 875 SE 47th Terrace, Suite 4  
Cape Coral, FL 33904  
Tel: 239.542.8811 Fax: 239.540.8937
- 10502 Crestwood Drive, Manassas, VA 20109  
Tel: 703-365-8877 Fax: 703-365-8937  
M:\Documents and Settings\nnickerson\Desktop\Doc10.doc
- Email: [info@millermusmar.com](mailto:info@millermusmar.com) [www.millermusmar.com](http://www.millermusmar.com)