Tax Credits for Employers!

CIS Community Integrated Services

Tax credits are available to employers when they hire many of the people CIS serves, as well as meet other eligibility criteria. While CIS cannot provide tax guidance, we have provided general descriptions of these tax credits, and links where employers

Employment Incentive Payment (EIP) Tax Credits: Employers earn Pennsylvania state tax credits for hiring people who receive state rehabilitation services and/or cash welfare benefits. *The employee must work one year in order to qualify the employer for EIP tax credits.* Employers earn state tax credits of up to 30 percent of the employee's first $9,000 in first year wages; 20 percent for year two; and 10 percent for year three. Within three weeks of the employee's start date, the employer must complete and submit an EIP Tax Credit Certification Request Form. CIS can give employer's this form, or it can be downloaded and additional information obtained from PA's Department of Labor and Industry at http://www.dli.state.pa.us, or by calling 1-800-345-2555.

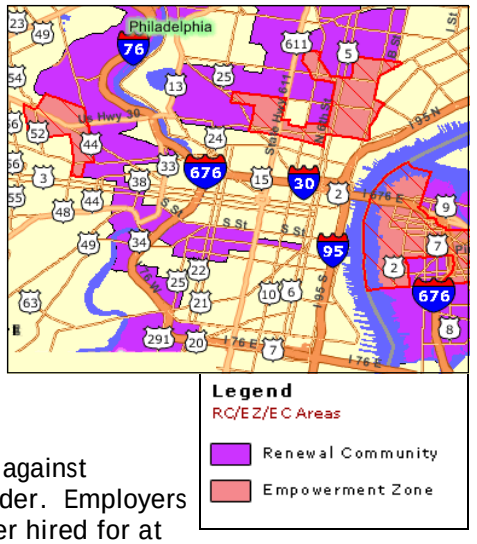
Work Opportunity Tax Credit (WOTC): Employers earn federal tax credits of up to $2,400 per worker, for hiring people who meet targeted eligibility criteria. WOTC is available for people receiving state rehabilitation services, welfare/food stamps, certain residents of Philadelphia's Empowerment Zones/Renewal Communities (HUD designations), SSI recipients, etc. To receive WOTC, within four weeks of the employee's start date, the emplyer must complete and submit:

- IRS Form 8850 (CIS can give employer's this form, or it can be downloaded from www.irs.gov).
- Department of Labor/ETA Forms 9062 or 9061. Some employees will already have ETA Form 9062 – employers simply sign and date it. Employers and employees complete Form 9062 when the employee does not already have Form 9061. (CIS can give employer's this form, or it can be downloaded from www.dli.state.pa.us).
- Within four weeks of an employee's start date, IRS Form 8850 and ETA Forms 9062 or 9061 must be submitted to: *PA Department of Labor & Industry, Bureau of Workforce Investment, 12th Floor, Labor & Industry Building, Harrisburg, PA 17120.*

Empowerment Zone/Renewal Community Employment Tax Credits: Employers earn federal tax credits when they are located, conduct their business and hire employees within Empowerment Zones and Renewal Communities; sections of the city designated as "distressed" by the U.S. Department of Housing and Urban Development. Employers verify their business location and employees address are in an Empowerment Zone and/or Renewal Community on HUD's Address Locator at www.hud.gov/crlocator.

✓Employers within an Empowerment Zone who hire an employee who lives and works in the same zone, can claim a tax credit of 20% of the employee's first $15,000 in wages (that have not already been claimed for the Work Opportunity Tax Credit), up to $3,000 per employee.

✓Employers within a Renewal Community who hire an employee who lives and works in the same community, can claim a tax credit of 15% of the employee's first $10,000 in wages (that have not already been claimed for the Work Opportunity Tax Credit), up to $1,500 per employee.



For more information on the Work Opportunity Tax Credit and the Empowerment Zone/Renewal Community Employment Tax Credits see IRS Publication 954 Tax Incentives for Distressed Communities, at www.irs.gov.

Philadelphia Re-Entry Employment Program (PREP): Grants a $10,000 credit against Philadelphia's Business Privilege Tax to any eligible employer who hires an ex-offender. Employers can receive up to a $10,000 tax credit each year for three years for each ex-offender hired for at least six months. The maximum amount of tax credit a business may receive for any one Qualifying Employee over all tax years is $30,000.

A Qualifying Employee is an ex-offender who is employed for the tax year in a full time job with an hourly rate, excluding benefits, of at least 150% of the federal minimum wage and who receives an employment package that includes the same benefits as are provided to other full time employees and tuition support for GED, Community College or other post-secondary education. An ex-offender is a person previously convicted of a felony, or who was incarcerated for any conviction, or who is currently on probation or parole for any conviction or who is currently in a work release program or programmed for work release.

In order to be eligible to receive PREP Tax Credits, a business must first execute a PREP Tax Credit Agreement with the Revenue Department. Program inquiries to Philadelphia's Department of Revenue, Technical Staff, 215-686-6434, or the Mayor's Office for the Reentry of Ex-Inmates (215) 685-3615.