EMPLOYERS CAN GET TAX CREDIT FOR CERTAIN NEW HIRES

Washington -- Employers can get a tax credit of up to $2,100 if they hire new employees from one of seven targeted low-income groups. The credit -- generally, 35 percent of the first $6,000 in wages -- applies to employees who start work after September 30, 1996 and before October 1, 1997.

The targeted groups are:
- qualified recipients of Aid to Families with Dependent Children, or its successor under welfare reform;
- qualified veterans;
- qualified ex-felons;
- high-risk youth;
- vocational rehabilitation referrals;
- qualified summer youth; and
- qualified food stamp recipients.

To help employers determine if a worker will make them eligible for this tax break, the Internal Revenue Service has developed Form 8850, "Work Opportunity Credit Pre-Screening Notice and Certification Request." This form will be available tomorrow to computer users through the IRS home page -- http://www.irs.ustreas.gov -- or by modem directly to 703-321-8020 (not a toll-free number). Employers may also request Form 8850 by calling (toll-free) 1-800-TAX-FORM (1-800-829-3676).
The employer will get information from a job applicant about the worker's potential membership in a targeted group, completing Form 8850 on or before the day the job is offered. The employer then submits the form, signed by both employer and employee, to the state employment service agency within three weeks after the employee starts work. If the employee qualifies, the state agency will certify the employee's membership in the targeted group. The employer should keep copies of Form 8850, transmittal letters and any other documentation related to the Work Opportunity Tax Credit for three years after filing the tax return claiming the credit.

In light of the short time between the enactment of the law and the effective date for the Work Opportunity Tax Credit, the IRS is giving employers some transition relief. If an employer makes a job offer between August 19 and November 1, 1996, and at the time reasonably believes the worker to be a member of a targeted group, the employer may submit the signed Form 8850 by the later of November 21, 1996, or the 21st day after the employee starts work. Employers using this transition relief should put "FILED PURSUANT TO NOTICE 96-52" at the top of Form 8850.

X X X