

REENTRY MYTH

BUSTER!

A Product of the Federal Interagency Reentry Council

MYTH: Employers have no federal income tax advantage by hiring an ex-felon.

FACT: Employers can save money on their federal income taxes in the form of a tax credit incentive through the Work Opportunity Tax Credit (WOTC) program by hiring ex-felons. An ex-felon under WOTC is an individual who has been convicted of a felony under any statute of the United States or any State, and has a hiring date which is within one year from the date of conviction or release from prison.

The main objective of this program is to enable certified employees to gradually move from economic dependency to self-sufficiency as they earn a steady income and become contributing taxpayers. At the same time, participating employers are compensated by being able to reduce their federal income tax liability. The Work Opportunity Tax Credit program (WOTC) joins other workforce programs that help incentivize workplace diversity and facilitate access to good jobs for American workers.

THE WOTC: For each new ex-felon hired, the credit is 25% of qualified first-year wages for those employed at least 120 hours, or \$1,500; and 40% for those employed 400 hours or more, or \$2,400.

TARGET GROUPS: The WOTC is a federal tax credit used to reduce the federal tax liability of private-for-profit employers. Employers can hire individuals from the following 9 target groups, which have traditionally faced significant barriers to employment:

- Qualified TANF Recipients
- Qualified Veterans
- Qualified Ex-Felons
- Qualified Designated Community Residents (DCR)
- Qualified Vocational Rehabilitation Referrals
- Qualified Summer Youth
- Qualified Food Stamp Recipients
- Qualified Supplemental Security Income (SSI) Recipients
- Qualified Long-Term Family Assistance Recipients

APPLICATION PROCESS: There's no limit to the number of "new" ex-felons an employer can hire to benefit from these tax savings. Employers apply for and receive a WOTC certification for each new hire from their State Workforce Agencies. There's minimal paperwork needed to qualify and claim the tax credit!

For More Information:

<http://www.doleta.gov/wotc>

<http://www.irs.gov>

What is a REENTRY MYTH BUSTER?

This Myth Buster is one in a series of fact sheets intended to clarify existing federal policies that affect formerly incarcerated individuals and their families. Each year, more than 700,000 individuals are released from state and federal prisons. Another 9 million cycle through local jails. When reentry fails, the social and economic costs are high -- more crime, more victims, more family distress, and more pressure on already-strained state and municipal budgets.

Because reentry intersects with health and housing, education and employment, family, faith, and community well-being, many federal agencies are focusing on initiatives for the reentry population. Under the auspices of the Cabinet-level interagency Reentry Council, federal agencies are working together to enhance community safety and well-being, assist those returning from prison and jail in becoming productive citizens, and save taxpayer dollars by lowering the direct and collateral costs of incarceration.

For more information about the Reentry Council, go to: www.nationalreentryresourcecenter.org/reentry-council