

Update: February 2009

## Tax Intelligence

### American Recovery and Reinvestment Act of 2009 Creates Two New Work Opportunity Tax Credit (WOTC) Categories

#### Situation

In response to the current economic conditions, President Obama signed the *American Recovery and Reinvestment Act of 2009 (H.R. 1)* on February 17, 2009. This legislation is the first step in a concentrated effort to create and save millions of jobs and jumpstart the economy.

#### Solution

The Act includes two **new target groups** which would be added to the current categories of employees eligible for this federal tax credit. These categories represent an increase in WOTC eligibility that could benefit employers. The new categories are outlined below.

- **Unemployed Veterans** - This target group is defined as an individual certified by the designated local agency as someone who (1) has served on active duty (other than for training) in the Armed Forces for more than 180 days or who has been discharged or released from active duty in the Armed Forces for a service-connected disability; (2) has been discharged or released from active duty during the 5-year period ending on the hire date; and (3) has received unemployment compensation under State or Federal law for not less than four weeks during the one-year period ending on the hire date.
- **Disconnected youth** – This group is defined as an individual certified by the designated local agency as someone (1) at least age 16 but not yet age 25 on the hiring date; (2) not regularly attending any secondary, technical, or post-secondary school during the six-month period preceding the hire date; (3) not regularly employed during the six-month period preceding the hire date; and (4) not readily employable by reason of lacking a sufficient number of skills.

#### Value

For these new target groups, both categories would take affect for any new hire employed after 12/31/2008. Additionally, the two new targeted groups are a direct response by the federal government to offer employers an incentive to hire prospective employees from a population not fully represented in the workforce. These changes could ultimately decrease federal income tax liability.

For more information on the potential impact of tax credits, and how TALX can help identify and deliver savings for your company, please contact **Pete Krieshok** at (314)214-7325 or via email at [pkrieshok@talx.com](mailto:pkrieshok@talx.com).