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Federal Tax Benefits for Hiring and Employing Eligible Veterans, National Guard Members and Reservists

Updated to Reflect Changes in Law Enacted in December 2015

Current as of March 1, 2016

Center for America

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American Jobs for America's Heroes

National Guard
Center for America
Military Spouse Corporate Career Network
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Now You Can Post Your Open Jobs at No Cost for Veterans, National Guard Members and Reservists!

Register to Submit Jobs at: www.Center*for*America.org/register.html

American Jobs for America's Heroes is a non-profit alliance with the National Guard Bureau in Washington, DC, to help unemployed National Guard members, veterans and spouses find skilled jobs in the private sector. **Watch the campaign video!**

There are more than one million veterans, Guard members and Reservists looking for full-time jobs.

Submitting Job Postings is Free and Easy!

Direct Access: Your job postings are plugged directly into the **National Guard Employment Network**, the flagship employment initiative of the National Guard. Employment counselors in the National Guard and other military branches are eager to match your posting with qualified military candidates.

Ongoing Program: This is not a limited-time event. You can post jobs at no cost as openings arise throughout the year.

World-Class Case Management: An internet-based platform donated by Kenexa, an IBM company, enables the state National Guard and nonprofit employment counselors in the alliance to work collaboratively to fill postings. This enables prompt and quality support.

Hands-on Support to Fill Your Jobs

First step: Register using the link above. It takes just a few minutes.

Case Manager: Corporate America Supports You (CASY) will contact you by email within two days to answer questions and provide you with a secure e-Link you'll need to upload job postings to the National Guard Employment Network job portal. Postings can be viewed by employment counselors in all military branches and military candidates registered with CASY.

Personalized Support: Employment counselors will actively match military candidates with your job requirements at no cost. You can receive free help in screening candidates and understanding how military training, skills and experience relate to your requirements.

You Are in Control: Then, you can contact each applicant with whom you want to talk. Your postings stay active for 30 days or for several months as you indicate in the posting.

National Guard Trains in 107 Categories

Veterans and National Guard members are valuable employees. Only one in four applicants are accepted into the National Guard.

Members train continously in programs provided in 107 categories, from leadership, administration and logistics to electronics, operations and maintenance. They demonstrate readiness for learning, accountability for good teamwork and reliability, and they understand how to perform in a disciplined organization.

For more information on how you can help the campaign, please visit our website at **www.CenterForAmerica.org** or contact Steve Nowlan, President, Center for America, at **SNowlan@CenterForAmerica.org** or 201-513-0379. **Media inquiries:** Todd Young at **Todd@CenterForAmerica.org** or 770-3172423.

Federal Tax Benefits for Hiring and Employing Eligible Veterans, National Guard Members and Reservists

Updated to Reflect Changes in Law Enacted in December 2015

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Acknowledgement

Center for America gratefully acknowledges the assistance of **Caplin & Drysdale** and its lawyers, **Beth Shapiro Kaufman** and **Elizabeth J. Stevens**, in preparing this booklet to help veterans, National Guard members and Reservists in honor of their service to our country. Special thanks to **Professor Clint Wallace**, who drafted the initial guide when he was an associate at Caplin & Drysdale.

Having celebrated its 50th Anniversary in 2014, Caplin & Drysdale continues to be a leading provider of tax, tax controversy, and litigation legal services to corporations, individuals, and nonprofits throughout the United States and around the world. The firm is also privileged to serve as legal advisor to accounting firms, financial institutions, law firms, and other professional services organizations. Caplin & Drysdale's reputation over the years has earned the firm the trust and respect of clients, industry peers, and government agencies. Moreover, clients rely on Caplin attorneys' broad knowledge of the law and keen insights into their business concerns and personal interests. The lawyers' strong tactical and problem-solving skills -- combined with substantial experience handling a variety of complex, high stakes, matters in a boutique environment -- make Caplin & Drysdale one the nation's most highly respected law firms.

Beth Shapiro Kaufman is a Member and President of Caplin & Drysdale. She assists wealthy individuals with their estate planning, and advises lawyers and other professionals on complex issues regarding estate, gift, and generation-skipping transfer taxes. Ms. Kaufman is frequently retained by counsel to assist in estate and gift tax audits, to advocate a taxpayer's position before the Internal Revenue Service, or to seek a private letter ruling. Ms. Kaufman rejoined the firm's Private Client Group in 2001 after working for over six years in the Treasury Department's Office of Tax Policy. Serving first as Attorney Advisor and then as Associate Tax Legislative Counsel, Ms. Kaufman had principal responsibility for all tax policy matters affecting trusts and estates, including estate, gift, and generation-skipping transfer taxes, as well as income taxation of trusts and estates. Ms. Kaufman is a frequent lecturer on topics related to estate planning and has spoken before numerous professional groups, including the University of Miami Heckerling Institute on Estate Planning, the American Law Institute (ALI), and the American College of Trust and Estate Counsel (ACTEC).

Elizabeth J. Stevens joined Caplin & Drysdale as an Associate after her clerkship with Judge Robert A. Wherry, Jr., of the U.S. Tax Court. Before earning her LL.M. in Taxation at New York University School of Law, she practiced as a litigation fellow for a public interest organization and at a regional law firm in California. Ms. Stevens served as a U.S. Naval officer from 2002 through 2005. Her combined experience in government, private practice, and the nonprofit sector gives her a 360-degree perspective, as well as valuable insights that benefit the firm's corporate and individual clients. Ms. Stevens' practice centers on international tax planning and advocacy for corporate clients. Matters involve transfer pricing, U.S. inbound investment taxation, and counseling on the tax implications of multinational groups' transactions and entity structures.

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Foreword

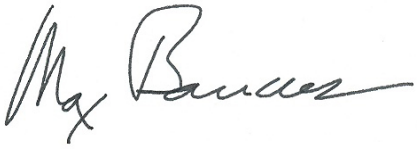
America's military veterans put everything on the line defending our country. Those of us who benefit from the sacrifices they make to protect us have a responsibility to ensure that when they return home from combat or natural disaster, our veterans will have good jobs and the chance to build rewarding careers. That is why I have worked in the U.S. Senate to enact the employer tax credits described in this guide to incentivize employers to hire veterans. These incentives are one way we demonstrate our country's commitment to partner with employers on behalf of veterans.

Hiring veterans is about more than honoring their service. Veterans will strengthen every employer because they are responsible and results-oriented men and women who demonstrate loyalty, commitment and initiative. They champion teamwork and thrive on continuous learning and personal development. Our veterans in every branch of service from the Army, Navy, Air Force and Marines to the Coast Guard and the National Guard wake up every day seeking to improve on yesterday's performance.

I have seen this firsthand in my home state of Montana, where we are proud to have more veterans per capita than nearly every other state in the country. I have seen the great benefits brought to employers by our veterans. And, I've seen how employers make a great difference in the lives of veterans and their families when they take the time to invite veterans into the workplace to discuss how their skills and experiences can transition to civilian jobs. It is a win-win opportunity.

I am glad to recommend to employers everywhere that they make a special effort to hire our veterans. I'm also glad to recommend this employer tax credit guide as a convenient and reliable way to learn about the significant federal tax benefits available to employers who hire veterans. The American Jobs for America's Heroes campaign has made it easy to understand how to qualify for and successfully claim the employer tax credits in these federal programs.

America needs the most effective workforce possible in today's competitive world marketplace. Hiring military veterans, who have already demonstrated their remarkable commitment and competence, is a great step in the right direction. Let's show our veterans that we value their qualities and hire them!



Former U.S. Senator Max Baucus of Montana was Chairman of the Senate Finance Committee, which has jurisdiction over the tax code, when he authored this Foreword for the first edition of this Guide in 2013. Currently, he is the U.S. Ambassador to China.

Preface

We have published this booklet to familiarize you, as an employer, with federal income tax credits that you can receive for hiring or employing military veterans, National Guard members, or Reservists who meet certain requirements. These tax credits can lead to a substantial reduction in your annual federal tax obligation. Tax credits directly reduce your business's outstanding tax liability.

This booklet also identifies the forms and certifications you need to file with your state workforce agency and with the IRS when you hire or employ veterans, National Guard members or Reservists. Generally, these forms are not complicated and don't take much time to complete in comparison to the benefit you can receive. Internet links for most of these forms are cited in the text and are active in the PDF version of this booklet.

Our assumption is that you are a business manager rather than an accountant or lawyer. So, in working together with the tax lawyers at Caplin & Drysdale, our goal has been to keep this primer clear and straightforward.

We know that, as an employer, you make hiring decisions based primarily on the needs and growth potential of your business. If you're like most managers, the existence of federal tax incentives is not going to be the driving force in your hiring decisions, but they can lessen the financial costs in meaningful ways.

Many states also offer generous business tax credits for hiring qualified veterans, National Guard members and Reservists. We encourage you to talk with your accountant or your state workforce agency to explore these opportunities.

Many more trade associations, community colleges and nonprofits are working together to offer innovative training programs that enable military candidates to complete certifications while working part-time. These programs provide real benefits to employers and candidates and are worth exploring for your company. We will publish more details on such programs on our website in the coming months.

Please contact us with your questions and suggestions, and to share information about what your organization is doing to help military candidates get full-time jobs: Steve Nowlan, President, Center for America, at **SNowlan@CenterForAmerica.org** or 201-513-0379.

www.Center*for*America.org

I. Introduction

Military veterans returning to civilian employment after being on "active duty" assignments in the U.S. or around the world are entering a challenging job market. To help these service members land jobs in the civilian sector, the federal government currently provides several financial incentives for employers who hire them.

These incentives can enable employers to reduce their federal business tax liabilities by thousands of dollars for each qualified National Guard member or veteran hired or employed. Employers of all sizes – from small businesses with just a handful of employees, up to the largest multinational companies – can take advantage of these incentives to hire veterans.

A. When Do National Guard Members Qualify as "Veterans" for These Federal Tax Incentive Programs?

Some employers are confused about which federal tax incentives apply to employers for hiring "veterans", especially National Guard members and Reservists. This confusion arises because of the unique roles of Guard and Reserve members in the U.S. military.

Unlike regular members of the Armed Forces, National Guard members (and Reservists) are expected to have full-time civilian jobs in addition to being "regular drilling members" of the Guard or Reserves. They attend training sessions, military drills and other service activities while maintaining their civilian jobs.

National Guard members are activated from time to time by either state Governors or by the Department of Defense (DoD). When the Guard is activated by state Governors, their service time **does not count** toward federal "veteran" status for purposes of the Returning Heroes and Wounded Warrior tax credits covered in this booklet.

For purposes of these tax credits, a National Guard member is considered a "veteran" when:

- The National Guard member was activated by the DoD to serve on active duty as part of the U.S. Army or U.S. Air Force; AND,
- The National Guard member has completed more than 180 days of active duty service, not including training; OR, when a DoD-activated National Guard member has been discharged or released from active duty for a service-connected disability before serving more than 180 days.
- **Note:** For purposes of the Returning Heroes and Wounded Warriors Tax Credits, the National Guard member or other service member who has been on extended active duty (more than 90 days) must have concluded his or her active duty service at least 60 days before the employment start date.

More than half of all Army National Guard members have been on federal active duty since 9/11. So, most -- but not all – of the National Guard members you consider for employment will meet this essential and primary requirement for an employer to qualify for a federal tax credit.

In this booklet, "veteran" or "veterans" is meant to include National Guard members and Reservists who qualify as veterans for purposes of these tax incentive programs.

B. Federal Tax Incentive Programs for Hiring

Each of the incentives described here is a type of federal tax credit for employers who hire or employ military personnel (including National Guard members and Reservists) who meet program requirements. Subject to certain limitations, the employer tax credit may reduce the amount of taxes owed to the federal government on a dollar-for-dollar basis.

- **Example 1:** A company has a federal income tax liability of $100,000 for 2016. However, during 2016 the employer hires two National Guard members who meet the requirements for the Returning Heroes Tax Credit, one of whom qualifies for a credit of $2,400 and the other of whom qualifies for a credit of $5,600, for a total of $8,000. Thus, the company's federal income tax liability may be reduced by $8,000, from $100,000 to $92,000, provided the proper certifications are completed when the employees are hired and the proper forms are filed with the company's 2016 tax return.

The federal tax incentive programs described in more detail in this booklet are:

- the **Returning Heroes Tax Credit**, which provides up to $5,600 to employers for each veteran hired who has been unemployed or has received supplemental nutrition assistance (food stamps) during the past year;
- the **Wounded Warrior Tax Credit**, which provides up to $9,600 to employers for each unemployed veteran hired who has a disability related to his or her service in the armed forces;
- the **Activated Military Reservist Credit**, which provides employers with a credit up to $4,000 for each Reserve or National Guard employee who is paid wages by the employer while the employee is away from work on active duty; and
- the **Federal Empowerment Zone Employment Credit**, which provides up to $3,000 to employers for each employee, including any veteran, who lives and works in a federally designated empowerment zone.

C. These Programs May Not Be Around Forever

Under current law, the Activated Military Reservist Credit is permanent, but the other tax incentive programs described here are only in place for a limited time. The Returning Heroes and Wounded Warrior Tax Credits apply for hiring completed on or before December 31, 2019. **The Federal Empowerment Zone Credit is available only through the end of 2016.** It is important that employers hire veterans prior to these expiration dates to ensure that they can take advantage of these incentives.

- It is possible that these incentives will be extended or made permanent, but this is not certain. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

II. Program Summary

The table below summarizes the four federal programs providing tax incentives for employers who hire or employ veterans. While this will provide a general understanding of the programs, it is strongly encouraged that employers read the more detailed explanation in the following sections and the referenced IRS and U.S. Department of Labor (DoL) forms, which are relatively straightforward. In the PDF version, the form numbers are linked to internet downloads.

Returning Heroes	Eligibility Criteria	Amount of Credit Per Employee	Federal Forms
Level 1	- Veteran who is a member of a family receiving food stamps for at least 3 months during 15 months before **hiring** date*	40% of first $6,000 in wages. Maximum credit is $2,400	IRS Form **8850** DoL Form **9062** or **9061** IRS Form **5884** (or **5884-C** for tax-exempts)
Level 1	- Veteran certified as having been unemployed more than 4 weeks but less than 6 months during 12 months before **hiring** date*	40% of first $6,000 in wages. Maximum credit is $2,400	
Level 2	- Veteran certified as having been unemployed at least 6 months during 12 months before **hiring** date*	40% of first $14,000 in wages. Maximum credit is $5,600	
Wounded Warrior	**Eligibility Criteria**	**Amount of Credit Per Employee**	**Federal Forms**
Level 1	- Veteran with service-connected disability and certified as having a **hiring** date* within 12 months of the end of active duty	40% of first $12,000 in wages. Maximum credit is $4,800	IRS **Form 8850** DoL Form **9062** or **9061** IRS Form **5884** (or **5884-C** for tax-exempts)
Level 2	- Veteran with service-connected disability and certified as being unemployed for at least 6 months during 12 months before **hiring** date*	40% of first $24,000 in wages. Maximum credit is $9,600	
Activated Military Reservist	**Eligibility Criteria**	**Amount of Credit Per Employee**	**Federal Forms**
Employees: **Employer:**	- Employed more than 90 days - National Guard or Reservist called for active duty for more than 30 days - Average of 50 or fewer employees (This requirement applies only to employers in 2015. After 2015 there are no restrictions on the size of the employer.)	20% of first $20,000 in wages; maximum credit $4,000	IRS Form **8932**
Empower-ment Zone	**Eligibility Criteria**	**Amount of Credit Per Employee**	**Federal Forms**
	- Employee must live and work in Empowerment Zone - Employee must be employed for 90 days or more	20% of first $15,000 in wages; maximum credit $3,000	IRS Form **8844**

***Hiring date,** as used in this table and elsewhere in this booklet, means the date on which the employee accepts a job offer from the employer. **Start date** is the date the employee begins work for the employer.

III. The Returning Heroes Tax Credit

The **Returning Heroes Tax Credit** provides up to $5,600 to employers for each veteran hired who either has received food stamps for three months in the past 15 months, OR has been unemployed for at least four weeks in the past year.

- **Note:** The Returning Heroes Tax Credit is available for tax-exempt organizations at lower rates, in which case the credit is applied against and cannot exceed the old age and disability (OASDI) part of Social Security taxes the employer pays for all employees.

  See the Social Security Administration website for further details regarding OASDI: **https://ssa.gov/policy/docs/quickfacts/prog_highlights/index.html**

A. Which veterans meet program requirements?

There are two levels of eligibility for veterans as follows:

- **Returning Heroes Tax Credit Level 1**: Available for employers hiring:

  (a) a veteran certified as being a member of a family that has received assistance from a supplemental nutrition assistance program under the Food and Nutrition Act of 2008 (the program formerly known as food stamps) for at least a three month period during the 15-month period ending on the hiring date; or

  (b) a veteran certified as having been unemployed for at least four weeks (whether or not consecutive) but less than six months in the one-year period ending on the hiring date.

- **Returning Heroes Tax Credit Level 2**: Available for employers hiring a veteran certified as having been unemployed for a total of six months or more (whether or not consecutive) in the one-year period ending on the hiring date.

The status of the veteran as meeting one of these conditions must be certified by the state's workforce agency as described below in Section C.

B. How is the amount of the tax credit calculated?

The amount of each tax credit is determined as a percentage of the wages paid to the veteran, up to the tax credit ceiling for each level. The applicable percentage (40% for business employers and 26% for tax-exempt employers) and maximum wages are credited as follows:

- **Returning Heroes Tax Credit Level 1**: Provides a credit of 40% on wages up to $6,000, for a maximum credit of $2,400 if wages paid are equal to or greater than $6,000.
  - **Example 2**: If the veteran is paid $5,000, the credit amount is $2,000 (40% of $5,000). If the veteran is paid $6,000, the credit amount is $2,400 (40% of $6,000, the maximum credit amount).

    If the veteran is paid $40,000, the credit amount is $2,400 (40% of $6,000) because only $6,000 of the veteran's salary is considered in the calculation of the tax credit.

- **Returning Heroes Tax Credit Level 2**: Provides a credit of 40% on wages up to $14,000, for a maximum credit of $5,600 if wages paid are equal to or greater than $14,000.
    - **Example 3**: If the veteran is paid $10,000 the credit amount is $4,000 (40% of $10,000). If the veteran is paid $14,000 the credit amount is $5,600 (40% of $14,000, the maximum credit amount).

      If the veteran is paid $40,000, the credit amount is $5,600 (40% of $14,000) because only $14,000 of the veteran's salary is considered in the calculation of the tax credit.

Note: Employees must work for at least 120 hours for wages to be creditable for either Level 1 or Level 2. Where employees are otherwise eligible and work more than 120 hours but less than 400 hours, the applicable percentage is reduced from 40% to 25% (26% to 16.25% for tax-exempt organizations).

C. How is the veteran "certified" as qualifying for this tax credit?

To determine whether an employee meets the eligibility requirements for the Returning Heroes Tax Credit, the following certification forms must be completed and submitted to the appropriate state workforce agency within 28 days of the employee's start date (not hiring date).

- IRS Form 8850, the Pre-Screening Notice and Certification Request, **AND**
- DoL Form 9062, Conditional Certification, **OR** DoL Form 9061, Individual Characteristic Form
- **Note:** Certification for unemployment from the state workforce agency requires that the veteran has received state or federal unemployment compensation for the applicable period of unemployment.

STEP 1: **Complete IRS Form 8850, Pre-Screening and Certification Request**

The applicant must complete the Job Applicant portion of Form 8850 and submit it to the employer. The employer must then complete page 2 of the form, and must do so prior to extending an employment offer to the applicant. Both the employer and the employee must sign Form 8850.

- This form is available at: **https://www.irs.gov/pub/irs-pdf/f8850.pdf**
- **Important Note**: The entire form must be completed on or before the date the offer of employment is extended. The form must then be signed by both the employee and employer, and submitted to the state workforce agency within 28 days of the date the new employee starts work. The form must be received by the office, or mailed with a postmark not later than 28 days after the start date (not hiring date).

STEP 2: **Complete DoL Form 9062 or DoL Form 9061**

In addition to Form 8850, the employer must file one of the two following forms with the state workforce agency in order to receive certification of eligibility for the Returning Heroes Tax Credit.

Form 9062, Conditional Applicant Eligibility Certification

- This form is used when the state workforce agency — or another designated local agency such as a state vocational rehabilitation agency — conditionally certifies that the applicant meets the eligibility requirements of the Returning Heroes Tax Credit even before the applicant has found a new job. Note that a prospective employee can complete Form 9062 without an employer and prior to being hired or even being considered for a particular job. Either the applicant or the state workforce agency should provide this form to the employer who must then complete and sign the employer portion of the form.
- This form is available at: **http://www.doleta.gov/business/incentives/opptax/PDF/eta_form_9062_cert.pdf**.

Form 9061, Individual Characteristics Form

- This form is used when the applicant has a new job but has not yet been certified by the state workforce agency as meeting the eligibility requirements of the Returning Heroes Tax Credit. In order to obtain this certification, this form must be completed by the applicant or by the employer on behalf of the applicant. The individual who completed the form must sign it. Specific documentation of the applicant's eligibility, as described in the instructions included in the form, must be attached to and included with the form.
- This form is available at: **http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_ETA_Form_9061.pdf**.

Note: The DoL revised both Form 9062 and Form 9061 in August 2015. Because Congress extended the Returning Heroes Tax Credit after that date, the forms may contain incorrect information about the dates for which the tax credit is available. This tax credit is available for veterans who begin employment prior to January 1, 2020, even though the forms may state otherwise.

STEP 3: Submit the Forms to the State Workforce Agency Within 28 Days of Start Date

Form 8850 and Form 9062 (or Form 9061, including required eligibility documentation) should be filed together by the employer with the state workforce agency within 28 days of the applicant's start date (not hiring date). The state workforce agency will issue an **Employer WOTC Certification** once it verifies that the eligibility requirements of the Returning Heroes Tax Credit have been met.

- A directory of state workforce agencies and contact information for each state coordinator is available at: **http://www.doleta.gov/business/incentives/opptax/State_Contacts.cfm**

  Note: Do not file Form 8850 with the IRS. Instead, file it with the state workforce agency within 28 days of the employee's start date (not hiring date).

D. How can my company claim this tax credit?

- **First**: The employee and employer must complete Form 8850 and Form 9062 (or Form 9061) as described above and submit them to the state workforce agency within 28 days of the employee's start date; then,

- **Second**: To actually claim the Returning Heroes Tax Credit, employers should complete Form 5884, Work Opportunity Credit, and file it with the federal business income tax return. The form is available at **http://www.irs.gov/pub/irs-pdf/f5884.pdf**.
- **Note**: Tax-exempt employers should complete Form 5884-C which is available at **http://www.irs.gov/pub/irs-pdf/f5884c.pdf**.
- **Corporations also need to file Form 3800**, which is the form for corporations to claim business tax credits, in addition to Form 5884. (The amount arrived at on Line 6 of Form 5884 is to be included on Form 3800.) Partnerships (including LLCs, etc,) do not need to file Form 3800, although any recipient of a K-1 (such as an individual, sole proprietorship or C corporation) for an interest in a partnership or other pass-through entity must file a Form 3800 with its federal tax return to claim a tax credit from that interest.

E. Will my company qualify for this incentive if we do not hire a veteran until 2020?

No. Under current law, the tax incentive program described here is only in place for hiring completed on or before December 31, 2019. It is important that employers hire veterans before the end of 2019 to ensure that the employers can take advantage of this incentive.

- It is possible that this incentive will be extended or made permanent but this is not certain. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

F. Can my company qualify for this incentive if we hired a veteran in 2015 but did not submit Forms 8850 and 9062 (or 9061) to the state workforce agency within 28 days of the veteran's start date?

The Returning Heroes Tax Credit expired at the end of 2014, but in December 2015, Congress passed legislation re-enacting the credit for 2015. Because this tax incentive was re-enacted retroactively for 2015, many businesses that hired veterans during the year may not have completed the steps required to qualify for the credit at the time the veterans were hired and started work. These businesses may be able to claim the credit for 2015 despite not having timely satisfied the requirements for state workforce agency certification. When, in the past, the Returning Heroes Tax Credit has expired and been later re-enacted as of the expiration date, the IRS has afforded businesses a grace period to complete the proper paperwork. For example, when this credit was re-enacted retroactively at the end of 2014, employers were treated as having satisfied the certification requirements if they submitted Form 8850 to the appropriate state workforce agencies by April 30, 2015.

- The IRS has not yet issued a notice authorizing such a grace period for 2015 but may do so in the future. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

G. For tax and human resources professionals: Where can my company find more information about these tax credits?

The Returning Heroes Tax Credit is provided for at 26 U.S.C. § 51.

Additional information is available from the IRS at **https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Work-Opportunity-Tax-Credit-1**.

- Additional information on Form 8850 is available at **http://www.irs.gov/pub/irs-pdf/i8850.pdf**.

Additional information is available from the Department of Labor (DoL) at **https://www.doleta.gov/business/incentives/opptax/**

IV. The Wounded Warrior Tax Credit

The **Wounded Warrior Tax Credit** provides up to $9,600 to employers for each unemployed veteran hired who has a disability related to their service in the armed forces.

- **Note**: The Wounded Warriors Tax Credit is available for tax-exempt organizations at lower rates, in which case the credit is applied against and cannot exceed the old age and disability (OASDI) part of Social Security taxes the employer pays for all employees.

A. Which veterans meet program requirements?

There are two levels of eligibility for veterans as follows:

- **Wounded Warrior Tax Credit Level 1**: Available for employers hiring a veteran who is certified as being entitled to compensation for a service-connected disability and who has a hiring date within one year after discharge or release from active duty.
- **Wounded Warrior Tax Credit Level 2**: Available for employers hiring a veteran who is certified as being entitled to compensation for a service-connected disability and who has been certified as being unemployed for a total of at least six months, whether or not consecutive, during the one-year period ending on the hiring date.

The status of the veteran as meeting one of these conditions must be certified by the state's workforce agency as described below in Section C.

B. How is the amount of the tax credit calculated?

The amount of each tax credit is determined as a percentage of the wages paid to the veteran, up to a maximum amount of wages. The applicable percentage (40% for business employers and 26% for tax-exempt employers) and maximum wages are credited as follows:

- **Wounded Warrior Tax Credit Level 1**: Provides a credit of 40% on wages up to $12,000, for a maximum credit of $4,800 if wages paid are equal to or greater than $12,000.
  - **Example 4**: If the veteran is paid $10,000, the credit amount is $4,000 (40% of $10,000). If the veteran is paid $12,000, the credit amount is $4,800 (40% of $12,000, the maximum credit amount).

    If the veteran is paid $40,000, the credit amount is $4,800 (40% of $12,000) because only $12,000 of the veteran's salary is considered in the calculation of the tax credit.
- **Wounded Warrior Tax Credit Level 2**: Provides a credit of 40% on wages up to $24,000, for a maximum credit of $9,600 if wages paid are equal to or greater than $24,000.
  - **Example 5**: If a veteran is paid $18,000 in 2013, the credit amount is $7,200 (40% of $18,000). If the veteran is paid $24,000, the credit amount is $9,600 (40% of $24,000, the maximum credit amount).

    If the veteran is paid $40,000, the credit amount is $9,600 (40% of $24,000) because only $24,000 of the veteran's salary is considered in the calculation of the tax credit.

Note: Employees must work for at least 120 hours for wages to be creditable for either Level 1 or Level 2. Where employees are otherwise eligible and work more than 120 hours but less than 400 hours, the applicable percentage is reduced from 40% to 25% (26% to 16.25% for tax-exempt organizations).

C. How is the veteran "certified" as qualifying for this tax credit?

To determine whether an employee meets the eligibility requirements for the Wounded Warrior Tax Credit, the following certification forms must be completed and submitted to the appropriate state workforce agency within 28 days of the employee's start date (not hiring date).

- IRS Form 8850, the Pre-Screening Notice and Certification Request, **AND**
- DoL Form 9062, Conditional Certification, **OR** DoL Form 9061, Individual Characteristic Form
- **Note**: Certification for unemployment from the state workforce agency requires that the veteran has received state or federal unemployment compensation for the applicable period of unemployment.

STEP 1: **Complete IRS Form 8850, Pre-Screening and Certification Request**

The applicant must complete the Job Applicant portion of Form 8850 and submit it to the employer. The employer must then complete the page 2 of the form, and must do so prior to extending an employment offer to the applicant. Both the employer and the employee must sign Form 8850.

- This form is available at: **http://www.irs.gov/pub/irs-pdf/f8850.pdf**
- **Important Note**: The entire form must be completed on or before the date the offer of employment is extended. The form must then be signed by both the employee and employer, and submitted to the state workforce agency within 28 days of the date the new employee starts work. The form must be received by the office, or mailed with a postmark not later than 28 days after the start date (not hiring date).

STEP 2: **Complete DoL Form 9062 or DoL Form 9061**

In addition to Form 8850, the employer must file one of the two following forms with the state workforce agency in order to receive certification of eligibility for the Wounded Warrior Tax Credit.

Form 9062, Conditional Applicant Eligibility Certification

- This form is used when the state workforce agency — or another designated local agency such as a state vocational rehabilitation agency — conditionally certifies that the applicant meets the eligibility requirements of the Wounded Warrior Tax Credit even before the applicant has found a new job. Note that a prospective employee can complete Form 9062 without an employer and prior to being hired or even being considered for a particular job. Either the applicant or the state workforce agency should provide this form to the employer who must then complete and sign the employer portion of the form.

- This form is available at: **http://www.doleta.gov/business/incentives/opptax/PDF/eta_form_9062_cert.pdf**.

Form 9061, Individual Characteristics Form

- This form is used when the applicant has a new job but has not yet been certified by the state workforce agency as meeting the eligibility requirements of the Wounded Warrior Tax Credit. In order to obtain this certification, this form must be completed by the applicant or by the employer on behalf of the applicant. The individual who completed the form must sign it. Specific documentation of the applicant's eligibility, as described in the instructions included in the form, must be attached to and included with the form.
- This form is available at: **http://www.doleta.gov/business/incentives/opptax/PDF/WOTC_ETA_Form_9061.pdf**.
- **Note**: The DoL revised both Form 9062 and Form 9061 in August 2015. Because Congress extended the Wounded Warrior Tax Credit after that date, the forms may contain incorrect information about the dates for which the tax credit is available. This tax credit is available for veterans who begin employment prior to January 1, 2020, even though the forms may state otherwise.

STEP 3: Submit the Forms to the State Workforce Agency Within 28 Days of Start Date

The Form 8850 and Form 9062 (or Form 9061, including required eligibility documentation) should be filed together by the employer with the state workforce agency within 28 days of the applicant's start date (not hiring date). The state workforce agency will issue an **Employer WOTC Certification** once it verifies that the eligibility requirements of the Wounded Warrior Tax Credit have been met.

- A directory of state workforce agencies and contact information for each state coordinator is available at: **http://www.doleta.gov/business/incentives/opptax/State_Contacts.cfm**.

  Note: Do not file Form 8850 with the IRS. Instead, file it with the state workforce agency within 28 days of the employee's start date (not hiring date).

D. How can my company claim this tax credit?

- **First**: The employee and employer must complete Form 8850 and Form 9062 (or Form 9061) as described above and submit them to the state workforce agency within 28 days of the employee's start date; then,
- **Second**: To actually claim the Wounded Warrior Tax Credit, employers should complete Form 5884, Work Opportunity Credit, and file it with the federal business income tax return. The form is available at **http://www.irs.gov/pub/irs-pdf/f5884.pdf**.
  - **Note**: Tax-exempt employers should complete Form 5884-C, which is available at **http://www.irs.gov/pub/irs-pdf/f5884c.pdf**.

- **Corporations also need to file Form 3800**, which is the form for corporations to claim business tax credits, in addition to Form 5884 (the amount arrived at on Line 6 of Form 5884 is to be included on Form 3800). Partnerships (including LLCs, etc,) do not need to file Form 3800, although any recipient of a K-1 (such as an individual, sole proprietorship or C corporation) for an interest in a partnership or other pass-through entity must file a Form 3800 with its federal tax return to claim a tax credit from that interest.

E. Will my company qualify for this incentive if we do not hire a veteran until 2020?

No. Under current law, the tax incentive program described here is only in place for hiring completed on or before December 31, 2019. It is important that employers hire veterans before the end of 2019 to ensure that the employer can take advantage of this incentive.

- It is possible that this incentive will be extended or made permanent but this is not certain. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

F. Can my company qualify for this incentive if we hired a veteran in 2015 but did not submit Forms 8850 and 9062 (or 9061) to the state workforce agency within 28 days ofthe veteran's start date?

The Wounded Warrior Tax Credit expired at the end of 2014, but in December 2015, Congress passed legislation re-enacting the credit for 2015. Because this tax incentive was re-enacted retroactively for 2015, many businesses that hired veterans during that year may not have completed the steps required to qualify for the credit at the time the veterans were hired and started work. These businesses may be able to claim the credit for 2015 despite not having timely satisfied the requirements for state workforce agency certification. When, in the past, the Wounded Warrior Tax Credit has expired and been later re-enacted as of the expiration date, the IRS has afforded businesses a grace period to complete the proper paperwork. For example, when this credit was re-enacted retroactively at the end of 2014, employers were treated as having satisfied the certification requirements if they submitted Form 8850 to the appropriate state workforce agencies by April 30, 2015.

- The IRS has not yet issued a notice authorizing such a grace period for 2015 but may do so in the future. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

G. For tax and human resources professionals: Where can my company find more information about these tax credits?

The Wounded Warrior Tax Credit is provided for at 26 U.S.C. § 51.

Additional information is available from the IRS at **https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Work-Opportunity-Tax-Credit-1**.

- Additional information on Form 8850 is available at **http://www.irs.gov/pub/irs-pdf/i8850.pdf**.

Additional information is available from the Department of Labor (DoL) at **https://www.doleta.gov/business/incentives/opptax/**

V. Activated Military Reservist Credit

For 2016 and later years, the **Activated Military Reservist Credit** provides employers with a credit of up to $4,000 for each employee who is a National Guard member or Reservist, and to whom the employer pays wages while the service member is away from work on active duty for more than 30 days.

A. Which National Guard members and Reservists meet program requirements?

The Activated Military Reservist Credit is available to employers for payments to any employee who has been employed for more than 90 days prior to being called to active duty, who serves in the Reserves or National Guard, and who is called up to active duty "in the uniformed services" for more than 30 days. This includes "full-time National Guard duty". (For a fuller definition, see the bottom of page 14 of this booklet.)

- **Note**: For purposes of this tax credit, members of the National Guard and Reserves do not need to have completed more than 180 days of active duty service.

B. What are the employer requirements for this tax credit?

- Although the Activated Military Reservist Credit was formerly available only to certain small business employers, beginning in 2016, it is available regardless of business size;
- The employer must make payments to an employee who goes on active duty in the uniformed services for more than 30 days, for all or a portion of the wages the employee would have received if he or she had continued to work;
- The Activated Military Reservist Credit is not available for tax-exempt employers.

C. How is the amount of the tax credit calculated?

Employers receive a tax credit of 20% on wages paid for the time the employee is on active duty for more than 30 days up to $20,000, for a maximum credit of $4,000 if wages are equal to or greater than $20,000.

- **Example 6**: A National Guard member is called up for active duty for six months. He currently earns $40,000 and his employer's personnel policy provides for a payment of 50% of his salary on a prorated basis while he is deployed. His employer will receive a tax credit of $2,000. (The prorated salary for six months equals $10,000; 20% of $10,000 equals $2,000.)

  If the National Guard member is on active duty for 12 months and earned an annual salary of $50,000 rather than $40,000, the employer would receive a tax credit of $4,000 because this is the maximum credit allowed.

Important Note: Any credit amount an employer receives for an employee for the Reservist credit reduces the credit amount available for any other tax credits (such as the Returning Heroes Tax Credit) for wages paid to the same employee.

- **Example 7**: A veteran who qualifies for the Activated Military Reservist Credit and theLevel 1 Returning Heroes Tax Credit is paid $20,000. The Activated Military Reservist Credit amount is $4,000 (20% of $20,000). Although the Returning Heroes Tax Credit amount is calculated as 40% of $6,000 (which is $2,400), the Returning Heroes Credit is reduced by $4,000, so the Returning Heroes Tax Credit amount is $0.

D. How can my company claim this tax credit?

To claim the Activated Military Reservist Credit, employers should complete Form 8932, Credit for Employer Differential Wage Payments, and file it with the federal business income tax return. The form is available at **http://www.irs.gov/pub/irs-pdf/f8932.pdf**.

E. Will my company qualify for this incentive after 2016?

Yes. The Activated Military Reservist Credit described here was made permanent by legislation passed in 2015 and so will remain available indefinitely.

F. For tax and human resources professionals: Where can my company find more information about these tax credits?

The Activated Military Reservist Credit is provided for at 26 U.S.C. § 45P. Instructions are attached to Form 8932 (linked above).

Fuller definition of "service in the uniformed services":

The term "service in the uniformed services" means the performance of duty on a voluntary or involuntary basis in a uniformed service under competent authority and includes active duty, active duty for training, initial active duty for training, inactive duty training, full-time National Guard duty, a period for which a person is absent from a position of employment for the purpose of an examination to determine the fitness of the person to perform any such duty, and a period for which a person is absent from employment for the purpose of performing funeral honors duty as authorized by section 12503 of title 10 or section 115 of title 32.

VI. Federal Empowerment Zone Employment Credit

The **Federal Empowerment Zone Employment Credit** provides up to $3,000 to employers for each employee who lives and works in a federally designated empowerment zone. In this program, "employee" can include any veteran, National Guard member or Reservist (whether or not they have completed 180 days of active duty).

- **Note**: The employee must both live and work in the Federal Empowerment Zone.

A. Which veterans meet program requirements?

The Federal Empowerment Zone Employment Credit is available for **any** employee, including veterans, National Guard members and Reservists, who lives and works in a federally designated empowerment zone.

- A searchable map of designated empowerment zones is available at **http://egis.hud.gov/ezrclocator/**. Note that this map also includes designated areas other than empowerment zones. The credit does not apply to these other designated areas.

B. What are the eligibility requirements for this tax credit?

The employee must be employed for at least 90 days for the employer to be eligible for the credit. Employers are not required to get certifications to file a claim for this credit.

Additionally, employers are not eligible for the credit with respect to certain employees who are relatives or who have an ownership interest in the business. Employers engaged in certain types of businesses—such as farming or operating golf courses, country clubs, massage parlors, tanning salons, racetracks, or liquor stores--are also ineligible for the credit.

C. How is the amount of the tax credit calculated?

The amount of each tax credit is 20% of wages up to $15,000, for a maximum credit of $3,000 per employee if wages paid to the employee are equal to or greater than $15,000.

- **Example 8**: A National Guard member lives and works in a Federal Empowerment Zone. He has worked for this employer for six months from July through December and earns an annual salary of $40,000. His employer is eligible to receive a tax credit of $3,000. (He has been paid $20,000, but only $15,000 is taken into consideration when calculating the tax credit. 20% of $15,000 equals a credit amount of $3,000.)

Important Note: Wages that qualify for the Returning Heroes Tax Credit or the Wounded Warrior Tax Credit must be subtracted from wages qualifying for the Federal Empowerment Zone Employment Credit.

- **Example 9**: A veteran who qualifies for the Level 1 Returning Heroes Tax Credit and for the Empowerment Zone Tax Credit is paid $20,000. The Returning Heroes Tax Credit amount is $2,400 (40% of $6,000). Ordinarily, the first $15,000 of wages would be considered by the Empowerment Zone Tax Credit. But, in this case, the first $6,000 of the $15,000 has been attributed to the Returning Heroes Tax Credit, thus leaving only $9,000 in wages under the $15,000 maximum to be considered for the Empowerment

Zone Tax Credit. Since the Empowerment Zone Tax Credit is 20% of the $9,000, the credit amount would be $1,800. This $1,800 together with the $2,400 from the Returning Heroes Tax Credit results in a total credit amount of $4,200.

D. How can my company claim this tax credit?

To claim the Federal Empowerment Zone Employment Credit, employers should complete Form 8844, Empowerment Zone Employment Credit, and file it with the federal business income tax return. The form is available at **http://www.irs.gov/pub/irs-pdf/f8844.pdf**.

E. Will my company qualify for this incentive if we do not hire until 2017?

No. Under current law, the tax incentive program described here is only in place through 2016. It is possible that this incentive will be extended into 2017 or made permanent but this is not certain. Please visit **www.CenterForAmerica.org/tax_benefits.html** for any updates.

F. For tax and human resources professionals: Where can my company find more information about these tax credits?

The Federal Empowerment Zone Employment Credit is provided for at 26 U.S.C. § 1396.

Additional information about federal empowerment zones is available from the U.S. Department of Housing and Urban Development at **http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/economicdevelopment/programs/rc**

VII. Other Questions and Answers

A. Are there any state level incentives for hiring and employing veterans?

In many states there are additional state level tax incentives and other support programs for hiring and employing veterans. Each state is different, so we recommend that you contact your state department of military and veteran affairs, or your state's workforce development council or agency.

B. What other resources exist for employers seeking to hire veterans, National Guard members and Reservists?

- American Jobs for America's Heroes - **http://www.CenterForAmerica.org**
- Corporate America Supports You (CASY) - **http://www.casy.msccn.org**
- Military Spouse Corporate Career Network (MSCCN) - **http://www.msccn.org**
- Heroes to Hired (H2H jobs board) - **https://h2h.jobs/**
- Employer Support of the Guard and Reserve (ESGR) - **http://www.esgr.mil/**

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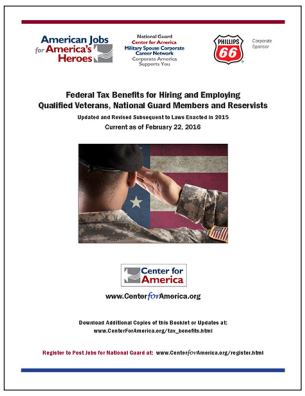
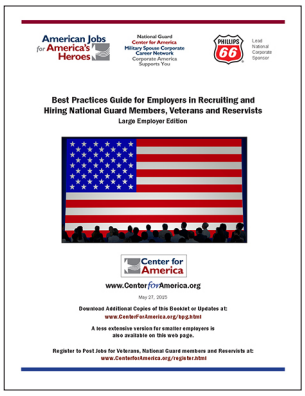
Free Employer Guides to Help You Manage Your Military Recruiting Efforts More Effectively and Efficiently


Federal Tax Benefits for Hiring and Employing Qualified Veterans, National Guard Members and Reservists
Updated and Revised Subsequent to Laws Enacted in 2015
Current as of February 22, 2016
www.CenterforAmerica.org

Federal Tax Benefits for Hiring and Employing Eligible Veterans, National Guard Members and Reservists (Updated 2016 Edition)

This free Guide, prepared by the law firm of **Caplin & Drysdale,** provides a clear and concise understanding along with step-by-step guidance. Links to the required IRS and DoL forms you need to submit are included. This Guide includes what you need to know to decide if your company is eligible and how to file. Covers four federal tax credit programs: **Returning Heroes**, **Wounded Warrior**, **Activated Military Reservist Credit for Small Businesses,** and the **Federal Empowerment Zone Employment Credit**.

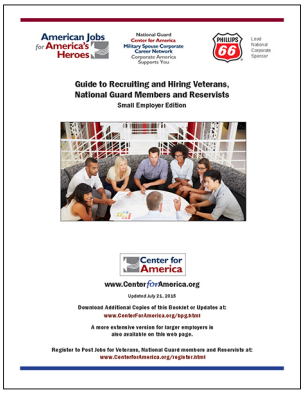
Free Download: http://www.CenterForAmerica.org/tax_benefits.html


Best Practices Guide for Employers in Recruiting and Hiring National Guard Members, Veterans and Reservists
Large Employer Edition
www.CenterforAmerica.org

Best Practices Guide for Large Employers in Recruiting and Hiring National Guard Members, Veterans and Reservists

This Edition is for larger employers with more extensive recruiting resources and more formal HR procedures. The Guide presents 35 Best Practices in one-to-two page profiles, including a summary, the rationale and action steps for each. Brief descriptions of initiatives implemented by leading employers are included, as well as links to government and nonprofit resources. 41 Pages.

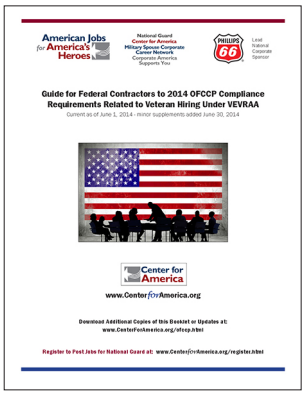
Free Download: http://www.CenterForAmerica.org/bpg.html


Guide to Recruiting and Hiring Veterans, National Guard Members and Reservists
Small Employer Edition
www.CenterforAmerica.org

Best Practices Guide for Small Employers in Recruiting and Hiring National Guard Members, Veterans and Reservists

This Edition of the Guide is tailored for smaller employers which rely on smaller HR functions and organization leaders to recruit new employees. It provides short summaries for each of 28 best practices along with suggested action steps and insights to give you a head start and help avoid time-wasting missteps. Links to government agencies and nonprofit resources are included. 20 Pages.

Free Download: http://www.CenterForAmerica.org/bpg.html


Guide for Federal Contractors to 2014 OFCCP Compliance Requirements Related to Veteran Hiring Under VEVRAA
Current as of June 1, 2014 - minor supplements added June 30, 2014
www.CenterforAmerica.org

Guide for Federal Contractors to 2014 OFCCP Compliance Requirements Related to Veteran Hiring Under VEVRAA

This free Guide, prepared by the law firm of **Baker & McKenzie,** provides a clear and concise understanding of the VEVRAA updates written in "business English" along with step-by-step guidance. It includes links to the OFCCP website for additional resources. Whereas most media articles generalize and leave out key details, this guide includes what you need to know to decide if your company is subject to the new veteran hiring requirements, and if so, how to comply. 14 pages

Free Download: http://www.CenterForAmerica.org/ofccp.html