

Subsidized Employment Program (SEP) Employer Fact Sheet

- The Alabama Department of Human Resources (DHR) will subsidize paid employment to Family Assistance (FA) recipients for no more than 12 calendar months, even if the client is employed with more than one employer in different months during the subsidy period. The subsidy months do not have to be consecutive.
- Subsidized employment means employment for which the employer receives reimbursement from the Department of Human Resources to cover the employee's gross wages.
- Subsidized employment is currently available for FA recipients statewide but the physical location of the employment must be within the State of Alabama.
- Employers may not hire an employee through this program to fill a position that is vacant because an individual is on strike or layoff from an equivalent job. In addition, an employer may not terminate or reduce the hours of a regular employee to hire an SEP participant.
- Efforts will be made by the county JOBS staff to consider a client's skills when placing with an employer.
- The employee should be hired to work a minimum of 30 hours per week.
- The employee should receive the same pay and benefits as any other employee who is performing similar work including holidays, overtime, bonuses, and other wages.
- Employers will be reimbursed for 100% of the employee's gross wages. **The employer must withhold required federal and state taxes including FICA from the employee's wages.**
- *The placement in subsidized employment is not permissible if the total of the FA recipient's household income including the anticipated subsidized wages exceeds 300% of the federal poverty level.*
- Reimbursement of the employee's gross wages will be provided by DHR until the employee's Family Assistance (FA) benefits terminate due to JOBS or Child Support noncooperation, the client becomes ineligible for the program, the employment ends or the subsidy period ends.
- The employer will receive notification of termination of the subsidy from the County DHR JOBS case manager. If the subsidy is terminated before the end of the last month in an authorized subsidy period and the individual remains employed, the termination notice will be provided 14 days in advance of the termination of the subsidy.
- Employers must pay the wages to the client before requesting reimbursement from DHR. **Wages may not be paid in cash.**
- The employer is encouraged to retain the employee after the subsidy has ended.

- Workman's Comp must be purchased by the employer, but is not reimbursable.
- Employers may be able to claim the Work Opportunity Tax Credit (WOTC) for non-reimbursed employee expenses they paid during the subsidy period and afterwards.
- **When the employer hires the client, the employer must:**
 - Complete the SEP Agreement, a W-9, and a Vendor Request Form and return to County JOBS staff
 - Immediately notify the County DHR contact person if the client fails to begin work
 - Complete forms needed by DHR

- **To receive reimbursement of wages the employer must:**

Submit a reimbursement request

Attach verification that displays gross wages and all mandatory withholdings

- *After the agreement is signed, changes to the hourly rate require a new agreement. Since changes to the reimbursement rate will only be effective upon approval and signatures of all parties to the new agreement, the employer should notify the case manager of any changes as soon as possible, preferably in writing.*
- Requests for reimbursement must be submitted by email to dhr.sep@dhr.alabama.gov or by mail to:

State Department of Human Resources
 Family Assistance Division
 ATTN: SEP Reimbursement
 50 Ripley Street
 Montgomery, AL 36130

- Employers must agree to record retention and review by DHR.
- DHR reserves the right to perform on-site periodic audits to review proof of pay documents or other compliance data. Examples of documents subject to review include but are not limited to:

Cancelled checks
 Bank statements

Electronic references
 Timesheets

Time and effort records
 Payroll reports

- For additional information, contact the local county Department of Human Resources' JOBS Program.

Applying for Work Opportunity Tax Credit Certification Takes Four Simple Steps

An employer must request and receive certification from its state workforce agency (SWA) that the **new hire** is a member of one of the nine WOTC target groups before the employer can claim the WOTC on its federal income tax return. Requests for certification can be done electronically or by mail. For electronic filing visit <http://WOTC.alabama.gov> and click on **Alabama WOTC on-line for employers** to establish a New Employer Account.

Forms for requesting certification by mail are also available at <http://WOTC.alabama.gov>.

To request certification by mail, the employer must:

1. Complete page 1 of IRS Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity Credit*, by the date of the job offer; **and**
2. Complete page 2 of IRS Form 8850 after the individual is hired;
3. Complete one of the following one-page U.S. Department of Labor forms, as appropriate:
 - ETA Form 9061, *Individual Characteristics Form*, if the new hire has not been given a conditional certification, ETA Form 9062, or
 - ETA Form 9062, *Conditional Certification Form*, if provided to the job seeker by a participating agency, such as a vocational rehabilitation agency, an employment network, or a SWA; **and**
4. Mail the signed/dated IRS and ETA forms to the state workforce agency's WOTC Coordinator not later than 28 days **after** the new hire begins work.

Mail to: Alabama Department of Industrial Relations
Attn: WOTC
649 Monroe Street
Montgomery, AL 36131

How To Contact Your State Employment Agency WOTC Coordinator

Contact your State Employment Agency WOTC Coordinator at:

WOTC.DIR@dir.alabama.gov or
Alabama Department of Industrial Relations
Attention WOTC
649 Monroe Street
Montgomery, AL 36131

To learn more about the WOTC, visit <http://WOTC.alabama.gov> and click on **Work Opportunity Tax Credit - WOTC**

THE WOTC TAX CREDITS EMPLOYER-FRIENDLY BENEFITS

The Work Opportunity Tax Credit reduces an employer's cost of doing business and requires little paperwork. The success and growth of this federal income tax credit for private-sector employers depends on a strong public and private-sector partnership to help those most in need find and retain jobs and gain on-the-job skills and experience. The WOTC benefits employers and increases America's economic growth and productivity.

**ALABAMA EMPLOYERS:
WAYS EMPLOYERS CAN EARN**

Federal Income Tax Credits

WORK OPPORTUNITY TAX CREDITS

Employer-Friendly Benefits for Hiring Job Seekers Most In Need of Employment

- **HOW TO EARN TAX CREDITS FOR NEW HIRES**
- **HOW TO APPLY FOR THE TAX SAVINGS**
- **WHERE TO GET MORE INFORMATION**



Alabama Department of Industrial Relations
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Earn Work Opportunity Tax Credits

- Employers make the hiring decision
- No limit to the number of new hires who can qualify their employer for these tax savings
- Minimal paperwork to claim the tax credits

On May 25, 2007, the President signed into law the *Small Business and Work Opportunity Tax Act of 2007*, which extends the WOTC Program through August 31, 2011. This Act and the *Tax Relief and Health Care Act of 2006*, signed into law on December 20, 2006, amend certain target group definitions, introduce new provisions that streamline the WOTC program and make it easier for the business sector to participate. This Fact Sheet discusses the consolidated WOTC as extended and modified by both Acts. The Work Opportunity Tax Credit can now be as much as:

- \$2,400 generally for each new adult hire
- \$1,200 for each summer youth hire
- \$4,800 for each new disabled veteran hire
- \$9,000 for each new long-term TANF recipient hired over a 2-yr. period

Who Doesn't Qualify

Some employees do not qualify the employer for the WOTC.

THEY INCLUDE:

- Relatives and dependents
- Majority owners of the employer
- Former employees

Hire From Among These Nine Groups of Job Seekers to Qualify for WOTC Tax Credits

1. Long-term TANF recipient* - member of a family that received Temporary Assistance for Needy Families (TANF) for at least 18 consecutive months ending on the hiring date, or a member of a family that received (TANF) for any 18 months beginning after August 5, 1997, and the earliest 18-month period, beginning after August 5, 1997, ended during the past 2 years ending on the hiring date, or whose family stopped being eligible for TANF because Federal or state law limited the maximum time those payments could be made, and the individual is hired not more than 2 years after such eligibility ended

2. Other TANF recipient* - member of a family that received TANF payments for any 9 months during the 18-month period ending on the hiring date

3. Veteran* - member of a family that received food stamps for at least a 3-month period during the 15-month period ending on the hiring date, or a disabled veteran entitled to compensation for a service-connected disability hired within one year of discharge or release from active duty or unemployed for a period or periods totaling at least 6 months of the year ending on the hiring date

4. 18-39 year-old food stamp recipient* member of a family that received food stamps for either the 6-month period ending on the hiring date, or for at least 3 of the 5 months

ending on the hiring date in the case of a family member who ceased to be eligible for such assistance under Section 6(o) of the Food Stamp Act of 1977

5. 18-39 year-old designated community resident - individual who lives within an Empowerment Zone (EZ), Renewal Community (RC),** or Rural Renewal County (RRC) (Butler, Dallas, Macon, Perry, Sumter and Wilcox)

6. 16-17 year-old summer youth - individual who works for the employer between May 1 and September 15, and lives in an EZ or RC**

7. Vocational rehabilitation referral - disabled person referred to the employer upon completion of (or while receiving) rehabilitation services approved by the State, the Ticket-to-Work Program, or the Department of Veterans Affairs

8. Ex-felon - individual who was convicted of a felony and who is hired within one year after the conviction or release from prison (would include felons participating in a state-approved work release program)

9. SSI recipient - individual who received Supplemental Security Income benefits for any month ending during the past 60-day period ending on the hiring date

* The individual need not receive the assistance for the entire period if the family received it for the entire period and the individual was on the grant and thus received assistance for at least one day of the specified period.

** For the location of EZs/RCs, visit www.hud.gov/crlocator and select "Enter Address."