



Banker's Bulletin

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Work Opportunity Tax Credit (WOTC): What to Know

Business owners will receive a tax credit when they hire employees from groups that experience long-term unemployment.

What Is the Work Opportunity Tax Credit (WOTC)?

The WOTC allows companies to reduce their taxes when they hire workers from groups that have historically faced barriers to finding and securing employment. To take part in WOTC, employers must receive certification for eligible employees and file an additional form with their annual business tax return.

Businesses can reduce the amount of taxes they owe by up to \$9,600 per qualifying employee for those hired before December 31, 2025, through the WOTC program.

How Is WOTC Calculated?

Employers who hire WOTC-eligible individuals generally receive a tax credit equal to 40 percent of up to \$6,000 of wages paid to a certified member of a target group in their first year of employment. Therefore, generally, the maximum credit is \$2,400.

The U.S. Department of Labor (DOL) provides detailed information on the WOTC, including guidance, resources, and forms.

Learn How Paychex Can Help You Leverage the Work Opportunity Tax Credit

The WOTC provides a win-win for employers and job seekers by giving individuals who have faced hiring challenges a chance for employment while rewarding employers who hire them with tax credits.

Business owners might be able to claim other tax credits besides the WOTC. Paychex tax credit services can help them identify and collect funds their business qualifies for.

Paychex offers a WOTC calculator to help employers determine potential tax savings when hiring from eligible groups.

Find it at:
go.paychex.com/wotc-calculator

Talk to your Paychex rep to see how they can help your business clients today.

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