

## IRS Releases Guidance on How to Claim Expanded Veterans Tax Credit; Certification Requirements Streamlined

IR-2012-17, Feb. 9, 2012

WASHINGTON — The IRS today released the guidance and forms that employers can use to claim the newly-expanded tax credit for hiring veterans.

The IRS also announced that employers will have more time to file the required certification form for employees hired on or after November 22, 2011, and before May 22, 2012. The VOW to Hire Heroes Act of 2011, enacted Nov. 21, 2011, provides an expanded Work Opportunity Tax Credit (WOTC) to businesses that hire eligible unemployed veterans and for the first time also makes the credit available to certain tax-exempt organizations.

The credit can be as high as \$9,600 per veteran for for-profit employers or up to \$6,240 for tax-exempt organizations. The amount of the credit depends on a number of factors, including the length of the veteran's unemployment before hire, hours a veteran works and the amount of first-year wages paid. Employers who hire veterans with service-related disabilities may be eligible for the maximum credit.

Normally, an eligible employer must file Form 8850 with the state workforce agency within 28 days after the eligible worker begins work. But according to today's guidance, employers have until June 19, 2012, to complete and file this newly-revised form for veterans hired on or after Nov. 22, 2011, and before May 22, 2012. The 28-day rule will again apply to eligible veterans hired on or after May 22, 2012.

In an effort to streamline the certification requirements, IRS today clarified and expanded upon 2002 guidance to facilitate employers' use of electronic signatures when gathering the Form 8850 for transmission to state workforce agencies. The guidance confirms that employers can transmit the Form 8850 electronically, and also allows employers to transmit the Form 8850 via fax, subject to the ability of the state workforce agencies to accept submissions in those formats. The IRS expects the Department of Labor to issue further guidance to the state workforce agencies providing further clarification.

[Notice 2012-13](#), posted today on IRS.gov, and the [instructions](#) for [Form 8850](#) provide further details.

Businesses claim the credit on their income tax return. The credit is first figured on [Form 5884](#) and then becomes a part of the general business credit claimed on [Form 3800](#).

This credit is also available to certain tax-exempt organizations by filing [Form 5884-C](#). The guidance released today also provides instructions and a new

set of forms for tax-exempt organizations to claim the credit. [For more information, including how to claim the credit, go to IRS.gov.](#)

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## **Expanded Work Opportunity Tax Credit Available for Hiring Qualified Veterans**

The VOW to Hire Heroes Act of 2011 made changes to the Work Opportunity Tax Credit (WOTC). The Act added two new categories to the existing qualified veteran targeted group and made the WOTC available to certain tax-exempt employers as a credit against the employer's share of social security tax. The Act allows employers to claim the WOTC for veterans certified as qualified veterans and who begin work before January 1, 2013.

The credit can be as high as \$9,600 per qualified veteran for for-profit employers or up to \$6,240 for qualified tax-exempt organizations, but the amount of the credit will also depend on a number of factors, including the length of the veteran's unemployment before hire, the number of hours the veteran works, and the veteran's first-year wages. The amount of the credit for qualified tax-exempt organizations may not exceed the organization's employer social security tax for the period for which the credit is claimed.

### **Pre-screening and Certification**

All employers must obtain certification that an individual is a member of the targeted group, before the employer may claim the credit. The process for certifying the veterans for this credit is the same for all employers.

Normally, an eligible employer must file Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity Credit, with their respective state workforce agency within 28 days after the eligible worker begins work. But under a special rule included in IRS Notice 2012-13, employers have until June 19, 2012, to complete and file this newly-revised form for veterans hired on or after Nov. 22, 2011, and before May 22, 2012. The 28-day rule will again apply to eligible veterans hired on or after May 22, 2012.

Notice 2012-13 also provides additional guidance on submission of Form 8850.

For more information, see [Form 8850 , Pre-Screening Notice and Certification Request and the instructions.](#)

## Claiming the Credit

### For-profit Employers

For for-profit employers, the law now allows a tax credit for hiring qualified veterans who begin work before January 1, 2013.

After the required certification is secured, for-profit employers claim the tax credit as a general business credit against their income tax. The process for for-profit employers claiming the Work Opportunity Tax Credit under the VOW to Hire Heroes Act for qualified veterans remains the same.

For additional information, see:

- [Form 5884 \(with instructions\)](#) (PDF),
  - [Form 3800](#) (PDF),
- [Instructions for Form 3800](#) (PDF), and
- Your business's related income tax return and instructions (i.e., Forms 1040, 1041, 1120, etc.)

### Tax-exempt Employers

Qualified tax-exempt organizations, organizations described in IRC Section 501(c) and exempt from taxation under IRC Section 501(a), may claim the credit for qualified veterans who begin work on or after Nov. 22, 2011, and before January 1, 2013.

After the required certification is secured, tax-exempt employers claim the credit against the employer social security tax by separately filing [Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans](#).

File Form 5884-C after filing the related employment tax return for the employment tax period for which the credit is claimed. It is recommended that qualified tax-exempt employers do not reduce their required deposits in anticipation of any credit as the forms are processed separately.

In addition to Form 5884-C and its instructions, tax-exempt employers should see IRS Notice 2012-13 and the [Frequently Asked Questions & Answers](#) for more details for claiming the credit.

### References/Related Topics:

- [VOW to Hire Act Changes the Work Opportunity Tax Credit](#) (Video)
- [VOW to Hire Heroes Act Changes the Work Opportunity Tax Credit Frequently Asked Questions & Answers](#)
- [IR 2012-17 Expanded tax Credit Now Available to Employers Who](#)

Hire Veterans

- IRS Notice 2012-13
- Tax Benefits for Businesses Who Have Employees with Disabilities
  - Business Tax Credits
  - Publication 334, Tax Guide for Small Business