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Criser, Gough, & Parrish

Small Business Alert

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Work Opportunity Tax Credit (WOTC) Program

Purpose

The purpose of the WOTC tax credit program is to offer employers an incentive, by way of a federal income tax credit, to hire individuals who are members of targeted groups that have traditionally faced significant barriers to employment.

Target

Eligible employers are any private-for-profit employer.

Eligible new employees are (prior to hire date):

- Long-term family cash assistance recipient
- Other family cash assistance recipient
- Veteran receiving food stamps
- Disabled veteran
- 18-39 year old food stamp recipient
- 18-39 year old resident living in a RRC (Rural Renewal County) - 43 Counties in Kansas
- 16-17 year old resident living in an EX/EC/RC (Empowerment Zone, Enterprise Community, or Renewal Community) - Wichita County
- Vocational Rehabilitation referral
- Ex-felon
- SSI recipient or Ticket-to-Work holder

Benefits

- The WOTC tax credit program is a federal income tax credit that can save employers up to \$2,400 in the first year of employment when they hire some-

one who is a member of one of the targeted groups.

- The disabled veteran target group can save employers up to \$4,800 in the first year of employment when they hire someone who is a member of the target group.
- The long-term family cash assistance recipient can save employers up to \$9,000 over a two year period when they hire someone who is a member of the target group.
- Gives job seekers in the targeted groups a better chance of finding employment.

Important Points

- IRS form 8850 must be completed and mailed (postmarked) to the KS WOTC Unit within 28 calendar days of the start date.
- There are no restrictions on the number of employees hired under the program.
- Applies to first time hires only.
- No tax credit can be claimed for wages paid to relatives.
- No tax credit can be claimed for federally subsidized on-the-job training; however, wages paid after the subsidy expires can qualify for the credit.

For more information, contact Joyce Heiman at the Kansas Department of Commerce. Call (785) 296-7435 or visit jheiman@kansascommerce.com.

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Maintaining Controls over Payroll

Internal controls are part of a system of “checks and balances” designed to safeguard business assets and promote compliance with company policies.

The **separation of duties**, i.e. having one person responsible for filing employment tax returns and another responsible for making tax deposits, may make it more difficult for any one employee to gain unrestricted access (and possibly misuse) the payroll process. (Having another person open incoming mail may also provide further control.)

Periodic **bank reconciliations** are also an established internal control practice: in this procedure, comparisons are made of the bank statement account balances to the cash balances recorded in the company’s books and records. Differences among the balances are traced to underlying transactions such as outstanding checks and deposits; these comparisons may help a business find errors in the books or accounting records.

As part of these reconciliations, an employer should also take steps to confirm that employment tax deposits have been made; if done using the Electronic Federal Tax Pay-

ment System (EFTPS), federal tax deposits can be viewed for up to a 16 month period. EFTPS provides businesses a secure and accurate way to make timely deposits of federal taxes online or by telephone; further information is available at <http://www.eftps.com> (click on the Help & Information tab).

Whether a company’s payroll is done “in-house” or through an outside provider, the employer has the ultimate responsibility for the timely and accurate filing of employment tax returns and the depositing of employment taxes. While no procedure is failsafe, the proper application of internal controls may help in meeting this responsibility.

For more information, see Section 11 (Depositing Taxes), Publication 15, (Circular E), Employer’s Tax Guide.

<http://www.irs.gov/pub/irs-pdf/p15.pdf>.

(From SSA/IRS
Reporter, Spring 2007)

Pursuant to federal regulations imposed on practitioners who render tax advice (“Circular 230”), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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Return Service Requested

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