

Hiring can come with a tax credit.

The Work Opportunity Tax Credit (WOTC) is a federal credit for employers who hire people from groups that face real barriers to work. Paper Trails clients get it handled through isolved, with very little extra work on your end.

40%

of qualified first year wages when the hire works 400 or more hours

25%

when the hire works 120 to 399 hours

0%

when the hire works fewer than 120 hours

The general maximum is \$2,400 per hire. Certain qualified veterans can reach up to \$9,600, and some groups can claim over two years.

Where WOTC stands today

The credit currently covers people who started work on or before December 31, 2025. Congress has not renewed it for later hires as of October 2026, but it has been renewed after earlier lapses, so we recommend continuing to screen every new hire.

Last reviewed: October 7, 2026

Who may qualify

Veterans: in a family receiving SNAP benefits, out of work four weeks or more, or with a service connected disability

Long term family assistance recipients: family received TANF for 18 months in a row, or lost it to time limits within the past two years

Ex felons: hired within one year of a felony conviction or release from prison

Vocational rehabilitation referrals: referred by a state approved rehabilitation agency, a Ticket to Work employment network, or the VA

SSI recipients: received SSI for any month ending in the 60 days before hire

TANF recipients: family received TANF for any 9 of the 18 months before hire

SNAP recipients: ages 18 to 39, family received SNAP for the six months before hire

Designated community residents: ages 18 to 39 in an empowerment zone or rural renewal county, including Aroostook and Piscataquis counties in Maine

Summer youth employees: ages 16 or 17, working May 1 to September 15, living in an empowerment zone

Long term unemployed: out of work at least 27 consecutive weeks, with unemployment benefits for part of that time

Relatives, dependents, majority owners, and rehired former employees don't qualify.

How WOTC works

1

Screen.

Each new hire answers the WOTC questions on IRS Form 8850 on or before the day you offer the job. For Paper Trails clients, this happens inside isolated electronic onboarding.

2

Submit.

Equifax sends Form 8850 to your State Workforce Agency within 28 days of the employee's start date. In Maine, that's the Maine Department of Labor.

3

Certify.

The state checks whether the employee belongs to a target group and issues a certification or a denial.

4

Claim.

You file IRS Form 5884 with your annual federal tax return. Your tax professional can take it from here.

The **28 day clock** starts on the employee's first day, and it keeps running even while Congress decides whether to renew the credit. Screening every hire keeps the option open.

Quick answers

What does it cost? isolated's fee is based on the number of new hires you have each year.

Do I have to do the paperwork? Very little. Screening happens during isolated onboarding, and the submission to your State Workforce Agency is handled for you.

Who claims the credit? Your tax professional, on your annual federal return.

Questions about your new hires?

Talk to your payroll processor.

payroll@papertrails.com | 207.721.8575

papertrails.com

Paper Trails refers clients to isolated for WOTC, and claims are processed by isolated's tax credit team with Equifax. This is general information, not tax advice. Credit amounts and eligibility depend on IRS rules and State Workforce Agency certification, so please check with your tax professional.