HFMA – Lone Star Chapter

Work Opportunity Tax Credit (WOTC) Services

Deloitte Tax LLP
May 11, 2012

Discussion items

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**Tax Credits in General**

- Generally only available to nonprofits paying UBI tax on Form 990-T or for-profit subsidiaries.
- Limited to tax liability – generally unavailable in NOL situations
- Common credits:
  - Research & development credit
  - New Markets credit
  - Employer-provided child care facilities
  - Training grants/credits

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**The opportunity — Work opportunity tax credit (WOTC)**

- A federal tax credit for companies who hire and retain qualified employees from a variety of targeted groups
- Creditable against UBI tax OR payroll tax
- The credit is worth up to $2,400 for each qualified employee, but can be worth up to $9,600 per employee in specific WOTC groups
- The following forms must be signed for each employee who may be eligible and submitted to the appropriate State Workforce Agency (SWA) within 28 days of being hired; the SWA certifies an employee as qualified for WOTC
  - Internal Revenue Service Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity Credit*, and
  - U.S. Department of Labor Employment and Training Administration Form 9061, *Individual Characteristics Form (ICF) Work Opportunity Tax Credit*
Legislative Update

- Majority of WOTC program currently in hiatus as of 12/31/11
- VOW to Hire Heroes Act signed into law in November 2011
  - Applies to non-profit organizations for the first time
  - Extends existing Veteran target group with tax credits of up to:
    - $9,600 for hiring veterans with service connected disabilities and who have been unemployed more than 6 months
    - $4,800 for hiring veterans with service connected disabilities. (No unemployment qualification requirement for this group)
    - $2,400 for hiring veterans receiving Supplemental Nutrition Assistance Program (SNAP) benefits
  - Creates new Unemployed Veteran target group with tax credits of up to:
    - $5,600 for hiring veterans who have been unemployed for more than 6 months
    - $2,400 for hiring veterans who have been unemployed for more than 4 weeks but less than 6 months

Legislative Update

- Designates a retroactive grace period extending the 28 day deadline for 8850 submissions for qualified veterans hired between November 22, 2011 and May 22, 2012
- PROSPECTIVE eligibility only after May 22, 2012
- Electronic signature methodology announced on February 9, 2012
Potential benefit –
General Example, not based on specific facts

Credit calculations details
- 25% of wages for 120–399 hours worked
- 40% of wages for 400 or more hours worked

General Credit amounts
- $2,400 maximum general credit
- $9,600 maximum for qualified veterans
- $9,000 maximum for long-term temporary assistance to needy families (calculated over two years)

<table>
<thead>
<tr>
<th>Estimated WOTC credit</th>
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<tbody>
<tr>
<td>New hires</td>
<td>5,000</td>
</tr>
<tr>
<td>Screening percentage</td>
<td>90%</td>
</tr>
<tr>
<td>Employees screened</td>
<td>4,500</td>
</tr>
<tr>
<td>Eligibility ratio</td>
<td>5%</td>
</tr>
<tr>
<td>Eligible employees</td>
<td>225</td>
</tr>
<tr>
<td>Forms compliance</td>
<td>98%</td>
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<tr>
<td>Completed forms</td>
<td>220</td>
</tr>
<tr>
<td>Ratio certified</td>
<td>75%</td>
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<tr>
<td>Employees certified</td>
<td>165</td>
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<tr>
<td>Average credit amount</td>
<td>$2,500</td>
</tr>
<tr>
<td>Credits generated</td>
<td>$412,500</td>
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</tbody>
</table>

Pros

- No limitations on job duties or classifications
- Can see significant benefits with as few as 5-10 eligible new hires
- Fairly low-cost solution if hiring a service provider
- Reduction in income tax/payroll tax expense
- May provide eligibility for state-level credits
Cons

• Some paperwork/tracking is involved
  – STRICT submission deadlines or credit is denied
  – Need method for screening and tracking potential hires

• Currently only certain classes of veterans are eligible

• May not be renewed for 2013

• Some set-up/start-up time involved

Deloitte’s T4WOTC™ process

New hire data input via web

Initial screening

Deloitte calculates tax credit

Certifications issued to client

Forms signed by employee and client

Deloitte processes forms
Deloitte’s T4WOTC Process

Traditional Call Center Work Flow

- Applicant calls the vendor call center and takes the questionnaire
- If eligible, call center sends the applicant form 8850 to sign
- HR receives form and has to give to applicant to sign
- Applicant signs form and gives to HR contact to mail to vendor
- Vendor receives form and reviews it for accuracy
- Vendor mails form to State workforce agency
- Vendor receives form and reviews it for accuracy
- If eligible, call center sends applicant form 8850 to sign
- HR receives form and has to give to applicant to sign
- Applicant signs form and gives to HR contact to mail to vendor
- Applicant completes online questionnaire with electronic signature on the form
- HR contact electronically signs form
- Deloitte prints and submits forms to State workforce agency

Deloitte’s Work Flow with T4WOTC

Real-Time WOTC Client Dashboard

Dashboard

<table>
<thead>
<tr>
<th>Certification Report</th>
<th>ELIGIBILITY</th>
<th>FORMS</th>
<th>CERTIFICATION</th>
</tr>
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<tr>
<td>SCREENING</td>
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</tr>
<tr>
<td>Applicants hired as of 09/30/2011</td>
<td>26</td>
<td>Screened Eligible</td>
<td>20</td>
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<tr>
<td>Applicants hired as of 09/30/2011</td>
<td>32</td>
<td>Screened Ineligible</td>
<td>22</td>
</tr>
<tr>
<td>Compliance % as of 09/30/2011</td>
<td>85.91%</td>
<td>Tax Forms Received</td>
<td>15</td>
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<tr>
<td>Exceeds 30 Days</td>
<td>0</td>
<td>Tax forms not received</td>
<td>9</td>
</tr>
<tr>
<td>Applicants not in T4WOTC</td>
<td>2</td>
<td>Eligibility</td>
<td>53.14%</td>
</tr>
<tr>
<td>Applicants not in T4WOTC</td>
<td>12</td>
<td>Tax forms not received - Expired</td>
<td>0</td>
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<tr>
<td>Applicants Agree</td>
<td>51</td>
<td>Certification %</td>
<td>71.43%</td>
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<tr>
<td>Applicants Disagree</td>
<td>1</td>
<td>Form Compliance %</td>
<td>64.00%</td>
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<tr>
<td>Incomplete Questionnaire</td>
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</table>

Screening Compliance

- Screened Employees - Employees / Week

WOTC Certified Employees

- Minority Youth 11%
- Hispanic 11%
- African American 11%
- Female 11%
- Veteran 11%
- TOP 11%
Healthcare Tax Update

Section 501(r)/Community Health Needs Assessments/Schedule H

• Still awaiting IRS guidance

• Current hot questions:
  – Joint venture hospital facilities
  – What is a hospital facility
  – Collaboration in creating CHNAs
  – Audited financial statements
  – Quantified community benefit standard?

• For some systems, implementation plans may need to be completed by December 31, 2012

- High income surcharges effective January 1, 2013
  - Consider timing of bonus/incentive payments

- Health insurance provider fee effective January 1, 2014
  - Estimated at $8 billion for 2014

- Medical device excise tax (2.3%) effective January 1, 2013

- What happens in June? Stay tuned.

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