Why Home Care Agencies Should Take a Closer Look at WOTC

There are so many things employers need to track when hiring new employees, including everything from legal and company policy documents to forms and paper

Published March 19, 2021



There are so many things employers need to track when hiring new employees, including everything from legal and company policy documents to forms and paperwork. Although all of these are required, what many employers often forget is that there are also ways to put money back into their agency's pocket when they hire WOTC-eligible employees.

What is WOTC?

The Work Opportunity Tax Credit (WOTC) is a Federal tax credit that's available to businesses and designed to aid individuals from groups that typically experience significant barriers to employment, such as:

- Veterans, including disabled veterans
- Individuals participating in certain government assistance programs, like:
  - Temporary Assistance for Needy Families (TANF)
  - Supplemental Nutrition Assistance Program (SNAP)/Food Stamps
- Individuals residing in empowerment zones or rural renewal counties, which are economically distressed urban or rural communities
- Vocational rehabilitation referrals
- Ex-felons
- Supplemental security income recipients
- Qualified long-term unemployment recipients (long term is defined as 27+ weeks of unemployment assistance)

Here are the top 4 reasons our home care clients participate in WOTC through Viventium:

1) Many candidates and employees qualify.

The caregiver population is very diverse, so there is a higher likelihood of individuals meeting WOTC criteria compared to many other industries. As a result, plenty of home care agencies qualify for thousands of dollars per eligible employee. And many of them find that 40% or more of their caregivers meet the requirements for the Work Opportunity Tax Credit. * Here is a simple example: An agency that hired 100 employees in 2020 with 40% of their employees qualifying would see a minimum impact of $96,000 (100 employees x 40% qualified = 40 employees x $2400 minimum credit = $96,000). From there, the agency would need to file and submit IRS Form 8850. At year end, a CPA or other business tax filer would apply the credit against the business income tax for the year. * Disclaimer: The amount of the credit varies based on the type of employee.

2) Turnover, turnover, turnover. . .

The Home Care Salary & Benefits Report shows that the turnover rate for all home health employees hit 22.18% in 2020. However, many home care agencies see much higher turnover rates, reaching 70% or more! While this is one of the biggest challenges for home care agencies, WOTC can actually provide some relief for all of the trouble caused by turnover. By utilizing the funding from WOTC, agencies can look to combat the cost of turnover, which a Home Care Pulse study estimated is $2600 per turned-over employee.

3) Without the administrative burden, why not?

You may be asking yourself, “Why don’t more agencies take advantage of WOTC?” Well, many do not know about WOTC, or if they do, they don’t know how to fill out the time-consuming WOTC paperwork or may pass it up due to the short time crunch or lack of staff to follow up. But it doesn’t have to be that way – with integrated onboarding solutions, automated WOTC service, and HR consulting, WOTC can be made simple. By including the IRS Form 8850 in the electronic onboarding packet for new hires, Viventium clients see over 99% participation, and everything can be tracked and reported seamlessly with our software to ensure you receive each credit.

4) Margins are tight – benefit from all available programs!

In an industry with tight margins, WOTC can have a major impact on the bottom line and provide "found” money. By utilizing this tax credit, agencies are able to invest these WOTC dollars back into the business, helping to fund other important programs and operational costs. If you’re curious about how Viventium helps our home care clients take advantage of WOTC, visit our home care page, and check out a case study from one of our valued clients.

This information is for educational purposes only, and not to provide specific legal advice. This may not reflect the most recent developments in the law and may not be applicable to a particular situation or jurisdiction.