

## Federal PATH Act extends employee hiring credits, including WOTC

### Overview

On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH),<sup>1</sup> which includes the following modifications to current law:

- A five-year extension of the Work Opportunity Tax Credit (WOTC)
- A new target group added to the WOTC
- A two-year extension to the Empowerment Zone (EZ) hiring incentives
- A two-year extension to the Indian Employment Tax Credit (IETC)

This Tax Alert summarizes these law changes that are retroactively effective December 31, 2014, unless specified otherwise in the discussion that follows.

### Extends and modifies the WOTC

PATH Section 142 extends the WOTC from December 31, 2014, through December 31, 2019.<sup>2</sup> The WOTC is a federal income tax credit ranging between \$2,400 and \$9,600 for each qualified newly hired employee who falls into one of nine targeted groups. These groups include members of families receiving benefits under the Temporary Assistance to Needy Families program, designated community residents, vocational rehabilitation referrals, qualified ex-felons, qualified summer youth employees, qualified food and nutrition recipients, qualified Supplemental Security Income recipients, long-term family assistance recipients, and qualified veterans.<sup>3</sup>

Section 142 also modifies the WOTC to make it available to businesses that hire “qualified long-term unemployment recipients” who begin work for an employer after December 31, 2015.<sup>4</sup> The term qualified long-term unemployment recipient is defined as “any individual who is certified by the designated local agency as being in a period of unemployment which—(A) is not less than 27 consecutive weeks, and (B) includes a period in which the individual was receiving unemployment compensation under State or Federal law.”<sup>5</sup>

### Extends EZ tax incentives

PATH Section 171 extends from December 31, 2014, to December 31, 2016, the period for which an EZ designation shall be in effect for certain economically depressed census tracts.<sup>6</sup> The EZ hiring credit program provides an annual federal income tax credit of up to \$3,000 per EZ resident hired.<sup>7</sup>

### Extends IETC

PATH Section 161 extends through December 31, 2016, the federal income tax credit for the hiring of qualified persons that work and live on or near an Indian reservation.<sup>8</sup> The program provides an annual tax credit of up to \$4,000 based on wages and health insurance costs paid to qualified employees.<sup>9</sup>

### Contacts

If you have questions regarding the PATH provisions described in this Alert, the WOTC generally, or state employment credits, please contact any of the following Deloitte Tax professionals:

[Kevin Potter](#)

Director  
Deloitte Tax LLP, New York  
+1 212 492 3630

[Bart Butler](#)

Senior Manager  
Deloitte Tax LLP, Dallas  
+1 214 840 1188

[Marcus Panasewicz](#)

Senior Manager  
Deloitte Tax LLP, Los Angeles  
+1 213 688 1837

<sup>1</sup> H.R. 2029 114th Cong. (Dec. 18, 2015). See Deloitte Tax LLP’s *Tax News & Views* (Dec. 18, 2015), located [here](#), for more details on this federal legislation.

<sup>2</sup> PATH Sec 142(a), amending IRC §51(c)(4)(B).

<sup>3</sup> IRC §51(a), (b), (d).

<sup>4</sup> PATH Sec 142(b), amending IRC §51(d).

<sup>5</sup> *Id.*

<sup>6</sup> PATH Sec 171(a), amending IRC §1391(d)(1)(A)(i).

<sup>7</sup> IRC §1386(c)(2).

<sup>8</sup> PATH Sec 161(a), amending IRC §45A(f).

<sup>9</sup> IRC §45(a).

For further information, visit our website at [www.deloitte.com](http://www.deloitte.com)

Follow [@DeloitteTax](#)

This alert contains general information only and Deloitte is not, by means of this alert, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This alert is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this alert.

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of which is a legally separate and independent entity. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of DTTL and its member firms. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2015 Deloitte Development LLC. All rights reserved.  
Member of Deloitte Touche Tohmatsu Limited