



US Multistate Tax Alert

Taxpayer Certainty and Disaster Tax Relief Act of 2020 Extends WOTC, Federal Empowerment Zones, and Indian Employment Credit

Overview

On December 27, 2020, President Donald Trump signed into law the [Taxpayer Certainty and Disaster Tax Relief Act of 2020 \(TCDFTRA\)](#)¹ which, among other items, includes the following modifications to current law:

- A five-year extension of the Work Opportunity Tax Credit
- A five-year extension of Empowerment Zone Hiring Incentives
- A one-year extension of the Indian Employment Credit

This Tax Alert summarizes these law changes, which are effective December 31, 2020 unless specified.

Extensions of Federal Employee Hiring Credits

Extension of the Work Opportunity Tax Credit

TCDFTRA section 113 extends the Work Opportunity Tax Credit (“WOTC”) from December 31, 2020 through December 31, 2025². The WOTC is a federal income tax credit ranging from \$2,400 to \$9,600 for each qualified newly hired employee that falls into one of ten 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, qualified veterans, and qualified long term unemployment benefit recipients.³

Extension of Empowerment Zone Tax Incentives

TCDFTRA section 118 extends from December 31, 2020 to December 31, 2025 the period for which an Empowerment Zone designation shall be in effect for certain economically depressed census tracts.⁴ Empowerment Zones (EZs) are designated areas of high poverty and unemployment that benefit from tax incentives provided to businesses in the boundaries of the EZ. Businesses operating in EZs qualify for a variety of tax incentives including a tax credit of up to \$3,000 per year for each of its employees who resides in the EZ. More information about EZs can be found [here](#).⁵

Extension of Indian (Native American) Employment Tax Credit

TCDTRA section 135 extends through December 31, 2021 the federal income tax credit for the hiring of qualified persons that work and live on or near a Native American reservation.⁶ Created in 1993, the IEC encourages companies to employ Native Americans who perform services on a Native American reservation and provides an annual tax credit of up to \$4,000 based on wages and health insurance costs paid to qualified employees. More information on credits that are available to businesses that employ Native Americans can be found [here](#).⁷

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Footnotes

¹ Taxpayer Certainty and Disaster Tax Relief Act of 2020, 2021 Consolidated Appropriations Act, H.R. 133.

² TCDTRA Sec 113(a), amending Internal Revenue Code ("IRC") section 51 (c)(4)(B).

³ IRC section 51(a), (b), (d).

⁴ TCDTRA section 118(a), amending IRC section 1391 (d)(1)(A)(i).

⁵ IRC section 1386 (c)(2).

⁶ TCDTRA section 135(a), amending IRC section 45A (f).

⁷ IRC section 45(a).

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