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**EMPLOYMENT & TRAINING STATE INSTRUCTION NUMBER: 11-05**

**TO:** Local Workforce Investment Area Administrators  
Area Directors  
One-Stop Operators  
Business Service Liaisons

**SUBJECT:** Work Opportunity Tax Credit and Apprenticeship Training

**ISSUANCE DATE:** August 29, 2011

**PURPOSE:** To address whether a business can utilize both an Apprenticeship Training and the Work Opportunity Tax Credit programs simultaneously.

**BACKGROUND:** WOTC (Work Opportunity Tax Credit) is a federally-funded program that provides an incentive to businesses to hire new employees with barriers to employment. Businesses can receive the federal tax credit for each qualified new hire. For most target groups the maximum credit amount is \$2400, 40% tax credit against \$6,000 in qualifying wages. (The allowable credit reduces to 25% when an employee works less than 400 hours, but at least 120 hours.)

Apprenticeship is a federal or state-sponsored training program which cultivates highly skilled workers through a combination of on-the-job training and classroom-related education. Businesses can receive a South Carolina state tax credit of \$1,000 per apprentice per year, for up to four years.

**QUESTION:** Can a business claim both the WOTC and Apprenticeship Tax Credits?

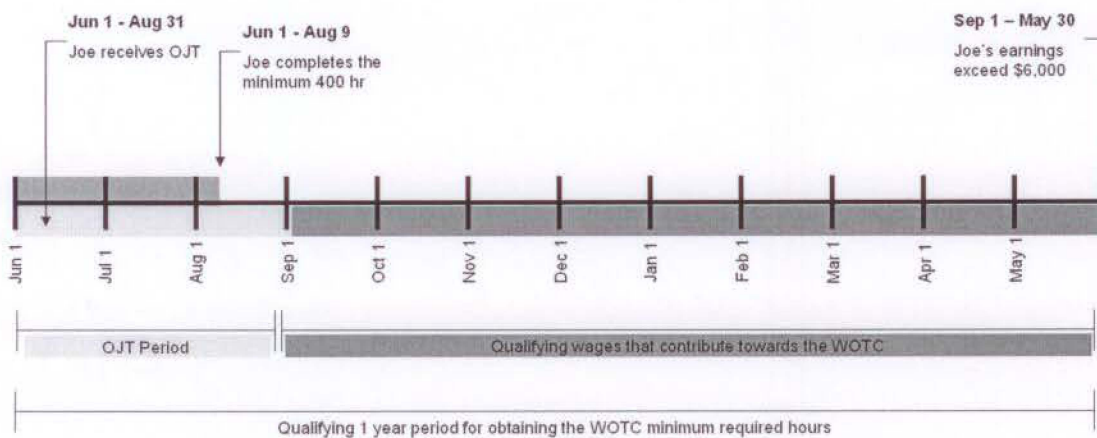
**RESPONSE:** Yes. Businesses can claim both the federal and state tax credits for the same worker simultaneously. Exceptions to this allowance are:

- Apprenticeships that develop the skills of a current employee. WOTC applies only to *new* hires.
- WOTC cannot be taken against federally-subsidized wages. If the apprenticeship includes federally-funded payments to the business for on-the-job training (OJT), only the wages paid *after* the OJT has ended may qualify for the WOTC. However, the time spent by the employee during the OJT period applies towards the required minimum 400 hours. (This applies to OJT even when is not part of an apprenticeship).

Example:

Construct, Inc. has hired Joe Brown, a WOTC-eligible job applicant, and has agreed to provide him apprenticeship training. Joe's one-year WOTC eligibility period is calculated from June 1, 2011 through May 30, 2012. From June 1<sup>st</sup> through August 31<sup>st</sup> Joe receives on-the-job training and his employer receives reimbursement for wages during this time. His qualifying wages for WOTC began on September 1<sup>st</sup>, after the federally-reimbursed OJT period ended.

Joe qualifies his employer for a maximum credit of \$2400 with qualifying wages capped at \$6,000. Because he has already met the minimum required 400 hours, his employer can take a 40% credit against any wages paid up to \$6,000 during the period of September 1<sup>st</sup> through May 30<sup>th</sup>.



**INQUIRIES:** Should you have any questions regarding this directive, please contact Laura Rushton at 803-737-2592 or [lrushton@dew.sc.gov](mailto:lrushton@dew.sc.gov).

Patricia Sherlock  
Interim Assistant Executive Director