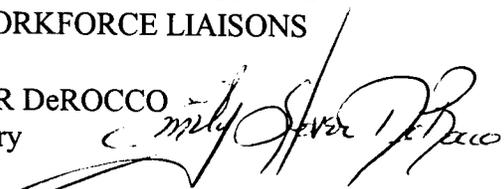


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| EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210 | CLASSIFICATION WOTC and WtWTC |
| | CORRESPONDENCE SYMBOL OWI |
| | DATE March 30, 2005 |

TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 24-04

TO: ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS

FROM: EMILY STOVER DeROCCO 
Assistant Secretary

SUBJECT: Guidance for Work Opportunity Tax Credit (WOTC) and Welfare-to-Work Tax Credit (WtWTC) Allotments and Grant Plan Submission

- Purpose.** To provide guidance to state workforce agencies (SWAs) responsible for management of the WOTC and WtWTC from October 1, 2004, through September 30, 2005, and to provide state allotments for Fiscal Year (FY) 2005.
- References.** The Consolidated Appropriations Act of 2005 (P.L. 108-447); the Wagner-Peyser (W-P) Act (Act), Section 7(d); Internal Revenue Code of 1986, Sections 51 and 51A; the Small Business Job Protection Act of 1996 (P.L. 104-188); the Taxpayer Relief Act of 1997 (P.L. 105-34); the Tax and Trade Relief Extension Act of 1998 (P.L. 105-277); the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170); the Job Creation and Worker Assistance Act of 2002, (P.L. 107-147); the Working Families Tax Relief Act of 2004 (P.L. 108-311); November 2002, Third Edition of ETA Handbook 408; 29 CFR Parts 93, 96, 97, 98, and 99; OMB Circular A-87 and the ETA WOTC/WtWTC Web site: <http://www.uses.doleta.gov/tax.asp>
- Background.** The President signed into law the *Working Families Tax Relief Act of 2004* (P.L. 108-311) on October 4, 2004. This legislation extends the WOTC and the WtWTC program, without changes, for a two-year period through December 31, 2005. The reauthorization is retroactive to December 31, 2003, and applies to new hires that begin work for an employer on or after January 1, 2004, and before January 1, 2006. This TEGL, by announcing full program funding, supercedes the funding information in TEGL 18-03.
- Funding.** Attachment II contains the allotment to SWAs of FY 2005 funds for program operations in 2005. Funding for the WOTC and the WtWTC program was passed as part of the FY 2005 funds appropriated in the Consolidated Appropriations Act of 2005, P.L. 108-447, signed into law December 8, 2004.

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| RESCISSIONS | EXPIRATION DATE Continuing |
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The appropriation also incorporated an across-the-board reduction of .80 percent to all discretionary program funds. The total funding for FY 2005, after the reduction, is \$17,856,000. After reserving \$499,968 for postage and \$20,000 for the Virgin Islands, funds are distributed to the states by administrative formula with a \$64,000 minimum allotment and a 95% stop-loss/120% stop-gain from the prior year allotment share percentage. The FY 2005 allotment formula is as follows:

- (1) 50% is allocated based on each state's relative share of total certifications issued for the WOTC and WtWTC program;
- (2) 30% is allocated based on each state's relative share of the Civilian Labor Force (CLF); and
- (3) 20% is allocated based on each state's relative share of the adult recipients of Temporary Assistance for Needy Families (TANF).

The data utilized for these factors reflect actual certifications reported for FY 2003, Fiscal Year 2004 CLF averages, and adult recipients of TANF for FY 2003.

5. **General Administration.** SWAs are responsible for administering the WOTC and WtWTC program, including the certification process and reporting program data on a quarterly basis. SWAs should use the guidance in this TEGL for WOTC and WtWTC program operations that cover the 12-month period beginning October 1, 2004, through September 30, 2005. Authorization for the cost reimbursable grant is provided in the Wagner-Peyser Act, Section 7(d). Pursuant to Training and Employment Information Notice No. 24-99, the ETA National Office continues as the grant officer funding authority for this and other Employment Service cost reimbursable grants.

Cost reimbursable grant funds are issued to SWAs for program administration. ETA Regional Offices are responsible for conducting field level reviews of these cost reimbursable grants. This includes on-site reviews and analysis of expenditures and performance data. SWAs are required to administer WOTC and WtWTC funds in accordance with the Act and applicable IRS regulations, and the terms and conditions of the Wagner-Peyser (W-P) Act Annual Funding Agreement, which includes administrative requirements and cost principles of Federal Regulations at 29 CFR Part 97 and OMB Circular A-87 and the Plan Narrative (Statement of Work) in Attachment III.

In addition, the WOTC and WtWTC program must be administered in accordance with the policies and procedural guidance set forth in the November 2002, Third Edition of ETA Handbook No. 408. Current Federal Regulations at 20 CFR 658.400 Subpart E cover the complaint procedures. Other applicable regulatory provisions are incorporated in the Plan Narrative (Statement of Work).

6. **Reporting.** SWAs should report expenditures quarterly by direct data entry of Standard Form 269 (SF-269) into the Web-based Enterprise Information Management System (EIMS)-Cost Reporting System. Quarterly financial reports are due within 30 days following the end of each quarter per 29 CFR 97.41(b) (4). Timely submission of these reports is extremely important to ensure proper accounting of funds. Regional Offices will conduct a financial reconciliation at the end of the fiscal year. Questions regarding financial management and reporting for FY 2005 or for any existing prior year fund balances should be addressed to the appropriate Regional Office.

SWAs should continue to use the web-based EIMS-Tax Credit Reporting System to report quarterly program activities and outcomes. A schedule of report due dates is available at: <http://www.us.es.doleta.gov/tax.asp>

7. **Grant and Plan Effective Date.** Plans should be prepared in accordance with this guidance and submitted for the 12-month period beginning October 1, 2004 through September 30, 2005. SWAs may request extensions through the ETA Regional Office.
8. **Action Required.** SWAs are requested to take the following action:
 - a. Immediately transmit this issuance to the appropriate staff.
 - b. Submit three (3) copies of the WOTC and WtWTC Grant Plan package for the 12-month period beginning October 1, 2004, through September 30, 2005 to the appropriate Regional Office. Submissions must be prepared in accordance with Attachments I, II, and III, Grant Procedures, Allocation List, and Plan Narrative (Statement of Work). The WOTC/WtWTC Plan should be submitted to the appropriate Regional Office within 30 days after the issuance date of this guidance letter. It must include:
 1. Transmittal Letter (Optional)
 2. Application for Federal Assistance (SF 424)
 3. Budget Expenditure Plan (SF 424 A - Section D only)
 4. Plan Narrative (Statement of Work - Attachment III).
9. **Inquiries.** Program questions may be directed to the Regional Office or to Carmen Ortiz, Office of Workforce Investment, Division of Adult Service at (202) 693-2786. All questions regarding grant and financial issues should be directed to Gwendolyn Baron-Simms at (202) 693-3309 or Fred Tello (202) 693-3333.
10. **Attachments.**
 - I. Grant Procedures
 - II. FY 2005 Funding Allotments
 - III. WOTC and WtWTC Plan Narrative (Statement of Work)

Grant Procedures

- A. **Grant Agreement/Plan**. Fiscal Year 2005 funds are being provided to SWAs responsible for the Wagner-Peyser (W-P) Annual Funding Agreement grant for the provision of WOTC and WtWTC services. These services must be consistent with the instructions in this TEGL and ETA Handbook No. 408 Third Edition, November 2002. The Agreement includes Standard Assurances and Certifications that apply to all grant programs. Notice of Obligation authority documents will be issued upon receipt of an approved WOTC/WtWTC plan submission.
- B. **Modifications**. The SWA and the Regional Office, in consultation with the National Office, may jointly modify the annual plan during the program year subject to the approval of the Grant Officer in all cases involving funding actions. The modification must include a transmittal letter, a revised SOW, and a quarterly spending plan (SF-424 A, Section D only). Regional Offices are responsible for coordinating both funding adjustments and annual plan modifications. They have the authority to recommend fund adjustments where a state is not spending at an agreed upon level. When an adjustment is necessary, the Grant Officer may issue a bilateral modification.

Should the Secretary of Labor be required, by future legislation, to carry out other responsibilities not anticipated in the annual grant agreement, SWAs will be requested to submit a modification to the annual agreement in order to carry out these additional duties.

**U. S. Department of Labor
Employment and Training Administration
Work Opportunity and Welfare-to-Work Tax Credits**

| <u>State</u> | <u>FY 2005 Allotments</u> | <u>Amount</u> |
|-----------------------|---------------------------|---------------------|
| Total | | \$17,856,000 |
| Alabama | | 248,278 |
| Alaska..... | | 64,000 |
| Arizona..... | | 296,769 |
| Arkansas | | 270,919 |
| California | | 2,039,179 |
| Colorado | | 168,123 |
| Connecticut..... | | 225,049 |
| Delaware | | 64,000 |
| Dist of Columbia..... | | 64,000 |
| Florida..... | | 693,102 |
| Georgia..... | | 450,638 |
| Hawaii..... | | 64,000 |
| Idaho | | 64,000 |
| Illinois..... | | 793,768 |
| Indiana | | 444,859 |
| Iowa..... | | 223,928 |
| Kansas..... | | 148,695 |
| Kentucky..... | | 292,311 |
| Louisiana..... | | 379,816 |
| Maine | | 69,098 |
| Maryland | | 367,893 |
| Massachusetts..... | | 331,170 |
| Michigan | | 542,072 |
| Minnesota | | 308,005 |
| Mississippi | | 178,302 |
| Missouri | | 392,001 |
| Montana..... | | 64,000 |
| Nebraska | | 114,244 |
| Nevada..... | | 102,491 |
| New Hampshire..... | | 64,000 |
| New Jersey..... | | 554,311 |
| New Mexico | | 153,841 |
| New York..... | | 961,167 |
| North Carolina | | 462,546 |
| North Dakota | | 64,000 |
| Ohio..... | | 789,302 |
| Oklahoma..... | | 177,197 |
| Oregon | | 179,638 |
| Pennsylvania..... | | 774,991 |
| Puerto Rico | | 114,210 |
| Rhode Island..... | | 78,581 |
| South Carolina..... | | 202,514 |
| South Dakota | | 64,000 |
| Tennessee..... | | 628,094 |
| Texas..... | | 1,222,446 |
| Utah..... | | 99,038 |
| Vermont | | 64,000 |
| Virginia | | 355,257 |
| Washington..... | | 359,558 |
| West Virginia..... | | 140,442 |
| Wisconsin..... | | 298,189 |
| Wyoming..... | | 64,000 |
| Virgin Islands | | 20,000 |
| State Total..... | | 17,356,032 |
| Postage | | 499,968 |

**Work Opportunity Tax Credit and
Welfare-to-Work Tax Credit
Plan Narrative (Statement of Work)**

State Workforce Agencies (SWAs) certify that they will use Fiscal Year 2005 funds announced herein to:

1. Determine eligibility of individuals as members of target groups, on a timely basis, and perform a “quality review” by a second staff person for each determination within 48 hours of receipt;
2. Issue employer certifications, denials, or notices of invalidation for tax credits on a timely basis and in accordance with the policies and procedures set forth in the ETA Handbook No. 408, Third Edition, November 2002 (Handbook);
3. Develop working agreements with partner agencies in the One-Stop Service Delivery System and coordinate efforts to promote the WOTC and the WtWTC to employers and job seekers and other Workforce Investment Act (WIA) partners;
4. Establish and implement an Appeals’ Resolution and Policy Clarification System in accordance with the guidelines provided in the Handbook (Chapter VIII, Section F, pp VIII-5-8);
5. Establish and maintain appropriate forms review, record keeping, and reporting capability related to the orderly management of WOTC and WtWTC certification requests;
6. Establish and maintain an orderly system for regularly verifying the eligibility of a random sample of individuals certified under the WOTC and WtWTC and initiate effective corrective action when appropriate as indicated by results of such activities;
7. Negotiate formal cooperative agreements with local WIA areas, State Vocational Rehabilitation Agencies, and other state and local agencies and organizations for the purposes of issuing Conditional Certifications where appropriate, and/or augmenting WOTC and WtWTC outreach activities;
8. Negotiate formal cooperative agreements with appropriate state agencies, including the Departments of Health and Human Services, Agriculture and Housing and Urban Development to expedite verification of information provided to the SWA by participating target group members;
9. Train state and participating agency staff, and provide monitoring and technical assistance to these agencies, as appropriate, for conducting target group, preliminary eligibility determinations and issuing Conditional Certifications; and

10. Cooperate with employment and training organizations already working with the private sector such as: veteran organizations, employer committees, and WIA Boards to inform employers about the tax benefits to be derived from participation and the eligibility requirements under the WOTC and the WtWTC.

In addition to the above Plan Narrative (Statement of Work), the SWA agrees to administer the program in accordance with the:

1. provisions of the Internal Revenue Code Section 51 and 51A, as amended; and
2. policy and guidance in the November 2002, Third Edition of ETA Handbook 408. The state shall maintain a verification and quality control process in accordance with guidance in the Handbook.