



TaxNewsFlash

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Notice 2020-78: Work opportunity tax credit (WOTC) transition relief

The IRS today released an advance version of Notice 2020-78 providing transition relief for certain employers claiming the work opportunity tax credit (WOTC) under section 51.

The transition relief provided by [Notice 2020-78](#) [PDF 122 KB] extends the 28-day deadline for certain employers to request certification from a “designated local agency” (DLA) that an individual hired on or after January 1, 2018, and before January 1, 2021, is a member of the designated community resident targeted group or the qualified summer youth employee targeted group.

Transition relief

Legislation enacted at the end of 2019 extended the WOTC through December 31, 2020, and retroactively extended the period for which an empowerment zone designation is in effect to December 31, 2020 (from December 31, 2017).

Notice 2020-78 explains that because of these extensions, employers may need additional time to comply with the DLA certification requirements.

Further, because of the expiration of empowerment zone designations at the end of 2017 and the uncertainty as to whether empowerment zone designations would be extended, some employers that hired members of targeted groups may not have submitted Form 8850, *Pre-Screening Notice and Certification Request for the Work Opportunity Credit*, to the DLA within 28 days of the individual beginning work.

- The relief under Notice 2020-78 provides an employer that did not submit Form 8850 to the DLA within 28 days of an individual beginning work must submit the completed Form 8850 to the DLA by **January 28, 2021**.
- An employer that hired an individual who is a designated community resident or a qualified summer youth employee and who began work for that employer on or after January 1, 2018, and before January 1, 2021, will be considered to have satisfied the requirements if the employer submits the completed Form 8850 to the DLA to request certification no later than **January 28,**

2021. If the employer submitted Form 8850 to the DLA and was not issued a denial notification by the DLA, the employer does not need to re-submit Form 8850.

- An employer that hires a member of a targeted group who begins work for the employer on or after January 1, 2021, is not eligible for the transition relief described in this notice with respect to that new employee.
- Employers that hired members of targeted groups may have submitted Form 8850 to the DLA within 28 days of an individual beginning work, regardless of the expiration of the empowerment zone designations. To be eligible for the relief provided by Notice 2020-78, an employer that submitted Form 8850 to the DLA and subsequently received a denial letter from the DLA by reason of the expiration of the empowerment zone designations must re-submit the completed Form 8850 also by **January 28, 2021**.
- In the event that an employer submitted Form 8850 to the DLA and was not issued a denial letter by the DLA, the employer does not need to re-submit Form 8850 to be eligible for the relief provided in this notice.

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