

# IRS News Release

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## **For Small Business Week, IRS Spotlights Expanded Tax Credit for Hiring Veterans, Credit for Providing Health Care Coverage to Employees, Relief for Reclassifying Workers as Employees**

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WASHINGTON — The Internal Revenue Service is marking Small Business Week, May 20 to 26, by encouraging small business owners to check out two key tax credits and a special relief program that could provide significant tax benefits during 2012.

Both the expanded credit for hiring veterans and the credit for employer-provided health care coverage can provide tax savings to eligible small businesses when they file their 2012 federal income tax returns. In addition, substantial relief from past payroll tax obligations is available to eligible employers who agree to reclassify their workers as employees in the future. Here are details on each of these benefits.

### **Expanded Tax Credit for Hiring Veterans**

A law change enacted late last year now provides an expanded Work Opportunity Tax Credit (WOTC) to employers that hire eligible unemployed veterans. The credit can be as high as \$9,600 per veteran for for-profit employers or up to \$6,240 for tax-exempt organizations. The amount of the credit depends on a number of factors, including the length of the veteran's unemployment before hire, hours a veteran works and the amount of first-year wages paid. Employers who hire veterans with service-related disabilities may be eligible for the maximum credit.

Certification requirements apply to these new hires. Normally, an eligible employer must file [Form 8850](#) with the state workforce agency within 28 days after the eligible worker begins work. But under a special rule, employers have until June 19, 2012, to complete and file this form for veterans hired on or after Nov. 22, 2011, and before May 22, 2012. The 28-day rule will again apply to eligible veterans hired on or after May 22. This form can be faxed or electronically transmitted to the state workforce agency, as long as the agency is able to receive the certification forms that way.

Businesses claim the credit on their income tax return using [Form 5884](#) and [Form 3800](#). A separate claim procedure using [Form 5884-C](#) applies to eligible tax-exempt organizations. [Details](#) are on IRS.gov.

## **Credit Helps Small Employers Provide Health Care Coverage**

Small employers that pay at least half of the premiums for employee health insurance coverage under a qualifying arrangement may be eligible for the small business health care tax credit. Enacted two years ago, the credit is designed to encourage small employers to offer health insurance coverage for the first time or maintain coverage they already have.

Eligible small employers can claim the credit for 2010 through 2013 and for two additional years beginning in 2014. Targeted to small employers that primarily employ low-and moderate-income workers, the maximum credit, in tax-years 2010 through 2013, is 35 percent of premiums paid by small businesses and 25 percent of premiums paid by tax-exempt organizations, increasing to 50 percent and 35 percent, respectively, in 2014.

Small businesses claim the credit on their income tax return using [Form 8941](#) and Form 3800. Tax-exempt organizations also use Form 8941 and then claim the credit on Form [990-T](#).

The recently-revamped [Small Business Health Care Tax Credit](#) page on IRS.gov is packed with information and resources designed to help small employers see if they qualify for the credit and then figure it correctly. These include a step-by-step guide for determining eligibility, examples of typical tax savings under various scenarios, answers to frequently-asked questions, a YouTube video and a webinar.

## **Many Businesses can qualify for Substantial Payroll Tax Relief**

Many businesses can now resolve past worker classification issues at a low cost by voluntarily reclassifying their workers. Better yet, they don't have to wait for an IRS audit to do so.

By prospectively reclassifying workers, making a minimal payment and meeting a few other requirements, eligible businesses can achieve greater certainty for themselves, their workers and the government. Already, 540 employers have been approved to participate in the new IRS [Voluntary Classification Settlement Program](#) (VCSP) since it was launched last September.

The VCSP is available to many businesses, tax-exempt organizations and government entities that currently treat their workers or a class or group of workers as nonemployees or independent contractors, and now want to correctly treat these workers as employees in the future. To be eligible, an employer must:

- Consistently have treated the workers in the past as nonemployees,
- Have filed all required Forms 1099 for the workers for the previous three years
- Not currently be under audit by the IRS or the Department of Labor or a state agency concerning the classification of these workers

Interested employers can apply for the program by filing [Form 8952](#). Employers accepted into the program will pay an amount effectively equaling just over one percent of the wages paid to the reclassified workers for the past year. It's that simple. Moreover, employers will not be audited on payroll taxes related to these workers for prior years.

Details on these and other tax benefits are on IRS.gov. In addition, the Small Business Tax Center ([www.irs.gov/smallbiz](http://www.irs.gov/smallbiz)) has links to a variety of useful tax tools for small business, including the Virtual Small Business Tax Workshop, a downloadable tax calendar, common forms and their instructions and help on everything from how to get an Employer Identification Number (EIN) online to how to engage with the IRS in the event of an audit.