Three Opportunities for Employers to Engage Second Chance Hires

An estimated 70 million people in the U.S. have an arrest or conviction record, and over 600,000 men and women are released from jail each year. Connecting the formerly incarcerated with employment is critical, as it provides a secure income, stability, and a connection with other members of society.

Successfully reintegrating these individuals brings many advantages. The following guide outlines different incentives and opportunities for employers to engage second chance hires.

1. **Recoup wages through tax credits.**

   The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment. Learn more on page 2.

2. **Take advantage of bonding opportunities.**

   The U.S. Department of Labor established the Federal Bonding Program (FBP) to provide fidelity bonds for “at-risk,” hard-to-place job seekers. The bonds protect employers against employee fraud or dishonesty in the first six months of employment at no cost to the job applicant or the employer. Learn more on page 3.

3. **Partner with organizations participating in grant programs.**

   The Growth Opportunities grant program provides opportunities for paid work experiences, occupational education, and training in in-demand industries, leadership development, and post-work experience placement for justice-involved youth and young adults. Learn more on page 4.
The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment.

What are the parameters?

The WOTC may be claimed by any employer that hires eligible “ex-felons” within a year of being convicted of a felony or being released from prison from the felony.

In general, the WOTC is equal to 40% of up to $6,000 of wages paid to or incurred on behalf of, an individual who:

• is in their first year of employment;
• is certified as being a member of a targeted group;
• performs at least 400 hours of services for that employer; and
• begins work on or before December 31, 2025.

The maximum tax credit is generally $2,400. A 25% rate applies to wages for individuals who perform fewer than 400 but at least 120 hours of service for the employer. An employer cannot claim the WOTC for employees who are rehired. In general, taxable employers may carry the current year’s unused WOTC back one year and then forward 20 years.

How do I claim this credit?

The WOTC is a general business credit. The credit is limited to the amount of the business income tax liability or Social Security tax owed.

1. On or before the day that an offer of employment is made, the employer and the job applicant must complete Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity Credit).

   Note: The employer has 28 calendar days from the new employee’s start date to submit Form 8850 to the designated local agency located in the state in which the business is located (where the employee works). Additional forms may be required by the U.S. Department of Labor to obtain certification.

2. After receiving a certification from the designated local agency that the employee is a member of one of the 10 targeted groups, taxable employers file Form 5884 (Work Opportunity Credit) to claim the WOTC.

   A taxable business may apply the credit against its business income tax liability, and the normal carry-back and carry-forward rules apply. See the instructions for Form 3800 for more information.

   For qualified tax-exempt organizations, the credit is limited to the amount of employer Social Security tax owed on wages paid to all employees for the period the credit is claimed.

Source: IRS - Work Opportunity Tax Credit FAQ
The U.S. Department of Labor established the Federal Bonding Program (FBP) to provide fidelity bonds for “at-risk,” hard-to-place job seekers. The bonds protect employers against employee fraud or dishonesty in the first six months of employment at no cost to the job applicant or the employer. The FBP primarily targets justice-involved individuals—people who have been previously incarcerated and are returning to the community—and other job seekers who have faced difficulties in finding employment.

What are the parameters?

Bonds can be applied to any job with any employer, in any state, at no cost or risk to the employer, and covers any employee dishonesty committed on or away from the workplace. Full-time, part-time, and temporary employees receiving paid wages (with federal taxes automatically deducted from pay) can be bonded. Coverage begins once an applicant receives a job offer and supports employees who have federal taxes automatically deducted from their pay. The bond will be sent to the employer within 10 business days.

Bonds can also be purchased to cover already employed workers who need bonding to prevent being laid off or to secure a transfer or promotion to a different job with a current employer.

How do I access the bonds?

To access a bond, contact your State Bonding Coordinator by:

- Visiting http://bonds4jobs.com/our-services/directory, or
- Calling the toll-free number: 1-877-US2-JOBS (1-877-872-5627).

You must provide:

- A valid and secure job offer
- Company information
- Employee’s full legal name

Source: The Federal Bonding Program Website

$5,000–$25,000

Amount of fidelity bond coverage for an employee’s first six months of employment to protect employers against employee theft, forgery, larceny, and embezzlement.
This program introduces and prepares justice-involved youth and young adults for work through placement into paid work experiences, starting them on a path to more equitable career opportunities. In addition to paid work experiences, the program includes occupational education and training in in-demand industries, leadership development, mentorship, and post-work experience placement into unsubsidized employment and/or education.

These grants focus on youth and young adults most impacted by community violence to advance equity, particularly in areas of concentrated crime and poverty, as well as communities that have recently experienced significant unrest.

The goals of the grants are to:

- help youth and young adults to increase their conflict resolution skills and develop strategies to prevent and avoid violence;
- introduce and prepare youth for the world of work;
- help youth identify career interests, attain relevant skills and gain work experience;
- and provide income to youth to start them on the path of earning living wages and obtaining high-quality jobs and careers.

Grant Ceiling: $4,000,000
Grant Floor: $0

Direct applicants may apply for up to $2,000,000 in funding, and intermediary applicants may apply for up to $4,000,000.

Applications must be submitted electronically no later than October 5, 2022, at 11:59 PM Eastern Time.

What is the employer’s role?

Grants will be awarded to eligible governmental organizations that can serve as the lead applicant for a group of service providers and have overall fiscal and administrative responsibility of a resultant grant.

Applicants must identify and provide a written commitment from “mandatory partners,” including employer(s) and describe the specifics of each partnership. For each partner, applicants must have a Memorandum of Understanding (MOU) or Letter of Commitment (LOC) signed by the authorizing agent of the partner organization.

Employer partners are defined as organizations or businesses (public, private, or nonprofit) that commit to serve as work experience sites.

$85,000,000
Estimated total program funding
What are the parameters?

- Applicants must explain how they will identify and engage employers, and work with those employers to develop high-quality paid work experiences for all eligible participants. This must include a plan detailing how the applicant will provide adequate support and resources to and help employer partners to identify opportunities to transition eligible participants into full-time paid employment.

- Applicants must describe how the skills learned and credentials earned through the employer program match the requirements of the occupation and prepare youth to enter unsubsidized employment.

- Participants must be paid the applicable minimum wage for the jurisdiction of the work experience site. Employer partners are encouraged to contribute to these costs.

- When compensating youth with wages or stipends for work experiences, employers are must adhere to Internal Revenue Service (IRS) guidelines. A Youth Employment Compliance Assistance Toolkit is available here: https://www.dol.gov/agencies/whd/compliance-assistance/toolkits/youth-employment

Full parameters of the grant program can be found in the Notice of Funds document here: U.S. Department of Labor Employment and Training Administration – Growth Opportunities Funding Opportunities

Source: U.S. Department of Labor Employment and Training Administration – Growth Opportunities Funding Opportunities