

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION WOTC
	CORRESPONDENCE SYMBOL OWI DNPTTA
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ADVISORY: TRAINING AND EMPLOYMENT GUIDANCE LETTER NO. 09-25

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE ADMINISTRATORS
WORK OPPORTUNITY TAX CREDIT COORDINATORS

FROM: HENRY MACK, ED.D 
Assistant Secretary

SUBJECT: Work Opportunity Tax Credit Initial Funding Allotments for Fiscal Year 2026

1. **Purpose.** To convey the Fiscal Year (FY) 2026 funding allotments for the Work Opportunity Tax Credit (WOTC) and application requirements for State Workforce Agencies (SWAs) for fiscal year 2026.
2. **Action Requested.** Grantees must meet the application requirements detailed in section 4 of this Training and Employment Guidance Letter (TEGL) within 30 calendar days from the date of issuance.
3. **Summary and Background.**
 - a. Summary – On February 2, 2026, the President signed Public Law No. 119-75, the Consolidated Appropriations Act, 2026. The funding available under the appropriation for administration of WOTC is \$15,203,383. ETA requests that SWAs submit applications for funding as allotted in Attachment I of this TEGL.
 - b. Background – The WOTC is set forth under section 51 of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 51), and was authorized until December 31, 2025, under the Consolidated Appropriations Act, 2021 (Pub. L. 116-260), Division EE, Title I, Section 113. The U.S. Department of the Treasury, through the Internal Revenue Service (IRS), administers all tax-related provisions and requirements of the tax credit. The U.S. Department of Labor, through ETA, awards grants to states for administration of WOTC.

Congress has not extended the legislative authority for employers to claim WOTC credits for new hires who begin work beyond the current expiration date of December 31, 2025. With respect to new WOTC certification requests that employers may submit for new hires who start work on or after January 1, 2026, ETA reminds SWAs that WOTC Procedural Guidance in TEGL 16-20, Change 1 says: “States can continue to review and prepare WOTC certification requests when there is a WOTC authorization lapse but may not issue a certification.” Additionally, as part of the review and preparation process for

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certification requests, states may send employers and consultants Needs letters and Denial Pending More Information letters but may not issue a determination.

For WOTC certification requests that employers submit or have submitted for new hires who started work *on or before* December 31, 2025, including backlogged requests, SWAs must use allotted WOTC funds to process and certify such requests in accordance with WOTC procedural guidance.

4. **Details.** States must enter their state-specific allotment amount (provided in Attachment I) on their SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), as their request for FY 2026 funding.

A. Allotment Formula. ETA determined FY 2026 state allotments (provided in Attachment I) for normal WOTC operations according to the following methodology:

After allocating \$36,000 to the U.S. Virgin Islands, ETA distributes the remaining funds to the SWAs by administrative formula with a \$94,957 minimum allotment and a 95 percent stop-loss/120 percent stop-gain from the previous year allotment percentage. We calculate the administrative formula as follows:

- i. 40 percent based on each State’s relative share of certifications issued for the most recently completed fiscal year’s available data (October 1 through September 30);
- ii. 40 percent based on each State’s relative share of the denials issued for the most recently completed fiscal year’s available data (October 1 through September 30);
and
- iii. 20 percent is based on each state’s relative share of Civilian Labor Force (CLF) averages for the 12-month period of the most recently completed FY’s available data (October 1 through September 30).

B. Application Requirements for FY 2026 Funding. ETA requires grantees to submit an electronically signed copy of the SF-424 Form, *Application for Federal Assistance* (OMB Control No. 4040-0004), as their official request for funding opportunity number ‘ETA-WOTC-TEGL-09-25’ at <https://www.grants.gov>, within 30 calendar days from the issuance date of this TEGL. The official, electronically signed SF-424 Form should be marked as a ‘new’ application for funding in item #2 and must reflect the amount listed in Attachment I as the state’s requested estimated funding total in item #18. Grantees must enter the Catalog of Federal Domestic Assistance Number ‘17.271’ for item #11 and the grantee’s 12-character Unique Entity Identifier (UEI number) for item #8c. Each applicant must have a UEI number available, and it must be registered in the System for Award Management ([SAM.gov](https://sam.gov)) before submitting an SF-424 application.

Grantees should indicate the estimated amount of Indirect Costs to be claimed by the recipient for FY 2026 expenditures, if any, as a sentence for item #15, ‘Descriptive Title of Applicant's Project.’ For example: “*Indirect Costs for this award are estimated at*

\$19,000.” Grantees may use the amount of indirect costs reported against their FY 2025 WOTC grant as an approximate for FY 2026 indirect cost expenditures. If there is no estimated Indirect Costs, the following statement must be entered: “*Indirect Costs for this award are estimated at \$0.00.*”

To submit the required documents, applicants must follow the “Apply for Grants” link on [Grants.gov](https://www.grants.gov) and download the links for the grant application package. For this funding opportunity, applicants may also follow the “Search Grants” link and enter ‘ETA-WOTC-TEGL-09-25’ in the Keyword(s) field to search for the formula funding opportunity. If applicants encounter a problem with [Grants.gov](https://www.grants.gov) and do not find an answer in available resources, they should call 1-800-518-4726 or 1-606-545-5035 to speak to a Customer Support Representative, or send an email to support@grants.gov.

C. Award Descriptions. As part of a Federal Government-wide effort to describe grant activities consistently and accurately, ETA uses standard grant award descriptions. States may see the following text in the grant award or in online descriptions of the WOTC grants:

- **Purpose:** The purpose of this grant is to allow SWAs to administer WOTC per ETA guidance and provisions set forth in the IRS Code of 1986, Section 51, as amended. Law designates the SWAs as the only agencies that can issue a Certification (26 U.S.C. § 51(d)(12)). The statute refers to SWAs as State employment security agencies, established in accordance with the Wagner-Peyser Act, 29 U.S.C. § 49 et seq.
- **Activities to be performed:** SWAs must use funds to implement the requirements set forth in the *WOTC Statement of Work*, including to: Designate a State Coordinator who oversees the administration of WOTC for each state grant; Determine eligibility of individuals as members of targeted groups on a timely basis, and 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 by ETA; and Establish and maintain appropriate forms’ quality review process, record keeping, and reporting capability related to the orderly management of WOTC certification requests.
- **Expected Outcomes:** For WOTC grants, SWAs will issue determinations (certifications or denials) for employers’ certification requests, which facilitate tax credits determined by the U.S. Department of the Treasury. SWAs will increase efficiency in processing employers’ certification requests and develop plans that include an estimated timeline to eliminate existing backlogs of certification requests.
- **Intended Beneficiaries:** Job seekers who have access to a higher number of employment opportunities, and employers who seek to increase hiring of qualified job applicants. Other beneficiaries include state and local partner agencies in the American Job Center network that coordinate efforts to promote WOTC to employers, job seekers, and other Workforce Innovation and Opportunity Act (WIOA) partners.
- **Subrecipient Activities:** SWAs, as WOTC grant recipients, do not typically subaward funds. States that wish to subaward funds should seek approval from their Grant Officer.

D. General Administration. With their FY 2026 grant award, SWAs are responsible for conducting the WOTC activities outlined in the *WOTC Statement of Work* (Attachment II).

E. Reporting Requirements.

- i. **Quarterly Financial Report** – SWAs must report fiscal expenditures quarterly using ETA Form 9130. Financial reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important to ensure proper accounting of funds.
- ii. **Quarterly Performance Report** – SWAs must use the web-based ‘State Workforce Agency Reporting and Analysis System’ (SWARAS) application to report quarterly activities and outcomes using ETA Form 9058. Performance reports are due no later than 45 days following the end of each quarter. Timely submission of these reports is important for administration purposes.

5. Inquiries. Please direct inquiries to the appropriate Regional WOTC Coordinator listed on the WOTC website at <https://www.dol.gov/agencies/eta/wotc/contact/regional-offices>.

6. References.

- Section 51 of the Internal Revenue Code of 1986, as amended (26 U.S.C. § 51) (<https://uscode.house.gov/view.xhtml?path=/prelim@title26/subtitleA/chapter1/subchapterA/part4/subpartF&edition=prelim>);
- Wagner-Peyser Act, Chapter 4B of Title 29 of the United States Code (Labor) (<https://uscode.house.gov/view.xhtml?path=/prelim@title29/chapter4B&edition=prelim>);
- Pub. L. 116-260, Consolidated Appropriations Act, 2021, which provides program authorization for WOTC through December 31, 2025 (<https://www.congress.gov/116/plaws/publ260/PLAW-116publ260.pdf>); and
- Pub. L. 119-75, Consolidated Appropriations Act, 2026 (<https://www.congress.gov/119/bills/hr7148/BILLS-119hr7148enr.pdf>).

7. Attachments.

- Attachment I: Work Opportunity Tax Credit Fiscal Year 2026 State Allotments
- Attachment II: Work Opportunity Tax Credit Statement of Work

**Work Opportunity Tax Credits
FY 2026 State Allotments**

State	Amount
Total	\$15,203,383
Alabama	266,951
Alaska	93,680
Arizona	244,175
Arkansas	157,602
California	1,742,067
Colorado	212,219
Connecticut	120,432
Delaware	114,925
District of Columbia	93,680
Florida	706,429
Georgia	456,352
Hawaii	117,501
Idaho	106,098
Illinois	517,605
Indiana	243,081
Iowa	154,807
Kansas	119,000
Kentucky	250,561
Louisiana	220,336
Maine	93,680
Maryland	282,473
Massachusetts	269,362
Michigan	407,184
Minnesota	203,942
Mississippi	161,476
Missouri	336,817
Montana	93,680
Nebraska	119,000
Nevada	145,598
New Hampshire	93,680
New Jersey	332,358
New Mexico	149,098
New York	887,169
North Carolina	390,148
North Dakota	93,680
Ohio	616,596
Oklahoma	231,579
Oregon	184,413
Pennsylvania	503,098
Puerto Rico	115,708
Rhode Island	101,456
South Carolina	213,770
South Dakota	93,680
Tennessee	461,930
Texas	1,331,234
Utah	119,000
Vermont	93,680
Virginia	368,290
Washington	294,397
West Virginia	118,035
Wisconsin	229,991
Wyoming	93,680
State Total	15,167,383
Virgin Islands	36,000

Work Opportunity Tax Credit (WOTC)

Statement of Work

State Workforce Development Agencies, also known as State Workforce Agencies (SWA), must use funds for the Fiscal Year to conduct the following mandatory activities:

1. Adhere to Employment and Training Administration (ETA) guidance, and provisions of the Internal Revenue Code of 1986, Section 51, as amended, in administering the Work Opportunity Tax Credit (WOTC) certification process. Law designates the SWA as the only agency that can issue a Certification (26 U.S.C § 51(d)(12)). (That statute refers to SWAs as State employment security agencies, established in accordance with 29 U.S.C. § 49 et seq.).
2. Designate a State Coordinator who oversees the WOTC administration for each state grant and attends monthly technical assistance grantee calls hosted by ETA's National and Regional Offices.
3. Determine eligibility of individuals as members of targeted groups, on a timely basis, and issue determinations (certifications, denials, or notices of invalidation for invalid certifications that were previously issued) on a timely and consistent basis, and in accordance with the national guidelines, policies and procedures set forth by ETA.
4. Establish and implement a standard operating procedures (SOP) or operating manual for consistent administration of the WOTC program which includes an appeals resolution process in accordance with the guidelines provided by ETA.
5. Develop a backlog reduction plan that includes an estimated timeline to eliminate the state's existing backlog, based on current policies and procedures, and efforts to modernize information technology for processing certification requests. SWAs must notify their ETA Regional Coordinator of backlog reduction work plans prior to plan implementation.
6. Establish and maintain appropriate quality review processes, record keeping procedures, and reporting capability related to the orderly management of WOTC certification requests in accordance with the policies and procedures set forth by ETA.
7. Establish and maintain an orderly system for regularly verifying the eligibility of a random sample of individuals certified under WOTC on a quarterly basis, and initiating effective corrective action when appropriate, as indicated by results of such quality control activities.

Other Grant Agreement Conditions

By entering into this agreement, the SWA agrees to the following conditions:

- SWAs must assure that all data exchanges conducted through or during the course of performance of this grant will be conducted in a manner consistent with applicable Federal law and [TEGL No. 39-11](#), issued on June 28, 2012. All such activity conducted by ETA and/or recipients will be performed in a manner consistent with applicable state and Federal laws.
- SWAs must fulfill performance and financial reporting requirements under the grant agreement.