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CHARITY PAYS

The welfare-to-work tax credit can benefit more than just the bottom line

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CASCADE ENGINEERING, located in Grand Rapids, Mich., like other businesses in the area, has trouble finding new employees. Low unemployment is making recruiting more difficult. The company, headed by CEO Fred Keller, tried an innovative program that also provides big tax breaks: training and hiring welfare recipients. As a result, Cascade has widened its employee pool and benefited from what the IRS calls the welfare-to-work tax credit.

The credit can save business owners money, depending on how much and how long they pay each former long-term family assistance recipient. As long as your business is profitable, the IRS allows businesses a credit of 35 percent of up to $10,000 (or $3,500) in the first year and 50 percent of up to $10,000 (or $5,000) in the second year. The $10,000 limit can include employer outlays for medical and accident insurance, as well as educational assistance grants.

Add in money from your local government (some cities and states provide tax breaks as well as wage subsidies and special training programs) and a single hire can put you in the black and reduce the number of people on the welfare rolls.

That said, welfare-to-work candidates aren't for everyone, says James R. Bradley, assistant professor at Cornell University's S.C. Johnson Graduate School of Management. "If you're not willing to dedicate a lot of effort to this, and if you can't find some way to support the welfare-to-work employee, it's not going to work," he says. "In the end, the program can cause more problems than it solves."

Willing to give it a shot? Contact your local social services department and expect the best. "If you can save one person from generational poverty, you can help reduce the burden on society for future generations," says Bradley.

BY KAREN J. BANNAN