H. R. 2742

To amend the Internal Revenue Code of 1986 to provide tax incentives to employers for providing training programs for jobs specific to the needs of the employers.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2011

Ms. FUDGE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to employers for providing training programs for jobs specific to the needs of the employers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Hire, Train, Retain Act of 2011”.

SEC. 2. FINDINGS.

The Congress finds the following:
(1) As of June 2011 9.2 percent of all Americans eligible to work were unemployed, or 14.1 million people.

(2) There are millions of workers who were displaced during the recent “Great Recession” who need to be re-trained so that they can re-integrate into the workforce. According to the bi-annual Displaced Workers Survey, the unemployment rate was 4.5 percent in 2007 before spiking to nearly 10 percent in 2010.

(3) Often overlooked are the 982,000 discouraged workers, people who are not looking for work because they do not believe that they are qualified for any available jobs.

(4) Paradoxically, there are enough jobs available to employ just over 20 percent of these persons—there were 3.0 million job openings on the last business day of May 2011 according to the Bureau of Labor Statistics.

(5) The disconnect is that many people searching for work lack the job-specific skills that they need to be competitive for many of these vacancies. Specifically, technology is outpacing the country’s current approach to job-related education and training. The difference between white collar and blue
collar jobs is fading because traditionally “blue colla-
lar jobs” are more specialized than ever before.

SEC. 3. PAYROLL TAX FORGIVENESS FOR HIRING AND
TRAINING WORKERS.

(a) IN GENERAL.—Section 3111 of the Internal Rev-

enue Code of 1986 is amended by adding at the end the

following new subsection:

“(e) SPECIAL EXEMPTION FOR CERTAIN INDIVID-

UALS HIRED IN BETWEEN 2011 AND 2015.—

“(1) IN GENERAL.—During the period begin-
ning on the day after the date of the enactment of
this subsection and ending on December 31, 2015,
subsection (a) shall not apply to wages paid by a
qualified employer with respect to employment of
any qualified individual for services performed—

“(A) in a trade or business of such quali-
fied employer, or

“(B) in the case of a qualified employer ex-
empt from tax under section 501(a), in further-
ance of the activities related to the purpose or
function constituting the basis of the employer’s
exemption under section 501.

“(2) QUALIFIED EMPLOYER.—For purposes of
this subsection—
“(A) IN GENERAL.—The term ‘qualified employer’ means any employer other than the United States, any State, or any political subdivision thereof, or any instrumentality of the foregoing that provides a qualified job training program for or on behalf its employees.

“(B) TREATMENT OF EMPLOYEES OF POST-SECONDARY EDUCATIONAL INSTITUTIONS.—Notwithstanding subparagraph (A), the term ‘qualified employer’ includes any employer which is a public institution of higher education (as defined in section 101(b) of the Higher Education Act of 1965).

“(3) QUALIFIED INDIVIDUAL.—For purposes of this subsection, the term ‘qualified individual’ means any individual who—

“(A) begins employment with a qualified employer after the date of the enactment of this subsection and before January 1, 2016,

“(B) certifies by signed affidavit, under penalties of perjury, that such individual has not been employed for more than 40 hours during the 60-day period ending on the date such individual begins such employment,
“(C) certifies by signed affidavit, under penalties of perjury, that such individual has satisfactorily completed a qualified job training program,

“(D) is not employed by the qualified employer to replace another employee of such employer unless such other employee separated from employment voluntarily or for cause, and

“(E) is not an individual described in section 51(i)(1) (applied by substituting ‘qualified employer’ for ‘taxpayer’ each place it appears).

“(4) QUALIFIED JOB TRAINING PROGRAM.—For purposes of this subsection, the term ‘qualified job training program’ means—

“(A) a program provided by a qualified employer that is in-house and is specific training for available jobs at such employer, or

“(B) a program under which a qualified employer partners with a public institution of higher education (as defined in section 101(b) of the Higher Education Act of 1965) to provide specific training for available jobs at such employer.

“(5) ELECTION.—A qualified employer may elect to have this subsection not apply. Such election
shall be made in such manner as the Secretary may require.”.

(b) COORDINATION WITH WORK OPPORTUNITY CREDIT.—Section 51(c) of such Code is amended by adding at the end the following new paragraph:

“(6) COORDINATION WITH PAYROLL TAX FORGIVENESS FOR HIRING AND TRAINING WORKERS.—

The term ‘wages’ shall not include any amount paid or incurred to a qualified individual (as defined in section 3111(e)(3)) during the 1-year period beginning on the hiring date of such individual by a qualified employer (as defined in section 3111(e)) unless such qualified employer makes an election not to have section 3111(e) apply.”.

(c) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of the amendments made by subsection (a). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the ex-
tent possible the transfers that would have occurred to
such Trust Fund had such amendments not been enacted.

(d) Application to Railroad Retirement Taxes.—

(1) In general.—Section 3221 of the Internal
Revenue Code of 1986 is amended by redesignating
subsection (d) as subsection (e) and by inserting
after subsection (c) the following new subsection:

“(d) Special Rate for Certain Individuals
Hired in Between 2011 and 2015.—

“(1) In general.—In the case of compensa-
tion paid by a qualified employer during the period
beginning on the day after the date of the enactment
of this subsection and ending on December 31,
2015, with respect to having a qualified individual in
the employer’s employ for services rendered to such
qualified employer, the applicable percentage under
subsection (a) shall be equal to the rate of tax in ef-
flect under section 3111(b) for the calendar year.

“(2) Qualified employer.—For purposes of
this subsection, the term ‘qualified employer’ means
any employer other than the United States, any
State, or any political subdivision thereof, or any in-
strumentality of the foregoing that provides a quali-
fied job training program for or on behalf its em-

“(3) QUALIFIED INDIVIDUAL.—For purposes of
this subsection, the term ‘qualified individual’ means
any individual who—

“(A) begins employment with a qualified
employer after the date of the enactment of this
subsection and before January 1, 2016,

“(B) certifies by signed affidavit, under
penalties of perjury, that such individual has
not been employed for more than 40 hours dur-
ing the 60-day period ending on the date such
individual begins such employment,

“(C) certifies by signed affidavit, under
penalties of perjury, that such individual has
satisfactorily completed a qualified job training
program,

“(D) is not employed by the qualified em-
ployer to replace another employee of such em-
ployer unless such other employee separated
from employment voluntarily or for cause, and

“(E) is not an individual described in sec-
section 51(i)(1) (applied by substituting ‘qualified
employer’ for ‘taxpayer’ each place it appears).
“(4) QUALIFIED JOB TRAINING PROGRAM.—For purposes of this subsection, the term ‘qualified job training program’ means—

“(A) a program provided by a qualified employer that is in-house and is specific training for available jobs at such employer, or

“(B) a program under which a qualified employer partners with a public institution of higher education (as defined in section 101(b) of the Higher Education Act of 1965) to provide specific training for available jobs at such employer.

“(5) ELECTION.—A qualified employer may elect to have this subsection not apply. Such election shall be made in such manner as the Secretary may require.”.

(2) TRANSFERS TO SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT.—There are hereby appropriated to the Social Security Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 231n–1(a)) amounts equal to the reduction in revenues to the Treasury by reason of the amendments made by paragraph (1). Amounts appropriated by the preceding sentence shall be transferred from the general
fund at such times and in such manner as to rep-
llicate to the extent possible the transfers which
would have occurred to such Account had such
amendments not been enacted.
(e) **Effective Dates.**—

(1) **In general.**—Except as provided in para-
graph (2), the amendments made by this subsection
shall apply to wages paid after the date of the enact-
ment of this Act.

(2) **Railroad retirement taxes.**—The
amendments made by subsection (d) shall apply to
compensation paid after the date of the enactment
of this Act.

**SEC. 4. BUSINESS CREDIT FOR RETENTION OF CERTAIN
NEWLY HIRED INDIVIDUALS IN 2011.**

(a) **In general.**—In the case of any taxable year
ending after the date of the enactment of this Act, the
current year business credit determined under section
38(b) of the Internal Revenue Code of 1986 for such tax-
able year shall be increased, with respect to each retained
worker with respect to which subsection (b)(2) is first sat-
ished during such taxable year, by the lesser of—

(1) $1,000, or

(2) 6.2 percent of the wages (as defined in sec-
tion 3401(a) of such Code) paid by the taxpayer to
such retained worker during the 52 consecutive week
period referred to in subsection (b)(2).

(b) RETAINED WORKER.—For purposes of this sec-
tion, the term “retained worker” means any qualified indi-
vidual (as defined in section 3111(e)(3) or section
3221(d)(3) of the Internal Revenue Code of 1986)—

(1) who was employed by the taxpayer on any
date during the taxable year,

(2) who was so employed by the taxpayer for a
period of not less than 52 consecutive weeks, and

(3) whose wages (as defined in section 3401(a))
for such employment during the last 26 weeks of
such period equaled at least 80 percent of such
wages for the first 26 weeks of such period.

(c) EMPLOYER STAFFING AND PAYROLL MUST IN-
crease.—No amount shall be allowed as a credit under
this section to an employer for a taxable year unless the
employer has a net increase for the taxable year in those
who work at least 20 hours per week for the employer
during the taxable year and the amount of its payroll dur-
ing the taxable year.

(d) LIMITATION ON CARRYBACKS.—No portion of the
 unused business credit under section 38 of the Internal
Revenue Code of 1986 for any taxable year which is attrib-
utable to the increase in the current year business credit
under this section may be carried to a taxable year beginning before the date of the enactment of this section.

(c) TREATMENT OF POSSESSIONS.—

(1) PAYMENTS TO POSSESSIONS.—

(A) MIRROR CODE POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss to that possession by reason of the application of this section (other than this subsection). Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(B) OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits that would have been provided to residents of such possession by reason of the application of this section (other than this subsection) if a mirror code tax system had been in effect in such possession. The preceding sentence shall not apply with respect to any possession of the United States unless such possession
has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to the residents of such possession.

(2) Coordination with Credit Allowed Against United States Income Taxes.—No increase in the credit determined under section 38(b) of the Internal Revenue Code of 1986 against United States income taxes for any taxable year determined under subsection (a) shall be taken into account with respect to any person—

(A) to whom a credit is allowed against taxes imposed by the possession by reason of this section for such taxable year, or

(B) who is eligible for a payment under a plan described in paragraph (1)(B) with respect to such taxable year.

(3) Definitions and Special Rules.—

(A) Possession of the United States.—For purposes of this subsection, the term “possession of the United States” includes the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands.
(B) MIRROR CODE TAX SYSTEM.—For purposes of this subsection, the term “mirror code tax system” means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.

(C) TREATMENT OF PAYMENTS.—For purposes of section 1324(b)(2) of title 31, United States Code, rules similar to the rules of section 1001(b)(3)(C) of the American Recovery and Reinvestment Tax Act of 2009 shall apply.