

106TH CONGRESS
1ST SESSION

H. R. 2101

To amend the Internal Revenue Code of 1986 to modify and permanently extend the work opportunity tax credit and to allow certain tax-exempt organizations a credit against employment taxes in an amount equivalent to the work opportunity tax credit allowable to taxable employers.

IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 1999

Mr. HOUGHTON (for himself, Mr. RANGEL, Mr. WELLER, Mr. LEWIS of Georgia, Mrs. JOHNSON of Connecticut, Mr. MATSUI, Mr. RAMSTAD, Mr. HAYWORTH, Mr. LEWIS of Kentucky, Mr. WATKINS, Mr. LEVIN, Mr. McNULTY, Mr. CARDIN, Mr. NEAL of Massachusetts, Ms. DUNN, Mr. SWEENEY, Mr. ENGLISH, Mr. FOLEY, Mr. McINNIS, Mrs. THURMAN, Mr. JEFFERSON, Mr. COYNE, Mr. BECERRA, Mr. STARK, Mr. NUSSLE, and Mrs. LOWEY) 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 modify and permanently extend the work opportunity tax credit and to allow certain tax-exempt organizations a credit against employment taxes in an amount equivalent to the work opportunity tax credit allowable to taxable employers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Work Opportunity Tax
3 Credit Reform and Improvement Act of 1999”.

4 **SEC. 2. PERMANENT EXTENSION AND MODIFICATION OF**
5 **WORK OPPORTUNITY TAX CREDIT.**

6 (a) CREDIT MADE PERMANENT.—Subsection (c) of
7 section 51 of the Internal Revenue Code of 1986 is amend-
8 ed by striking paragraph (4) (relating to termination).

9 (b) CERTAIN BENEFITS TREATED AS WAGES ELIGI-
10 BLE FOR CREDIT.—Subsection (c) of section 51 of such
11 Code is amended by redesignating paragraph (3) as para-
12 graph (4) and by inserting after paragraph (2) the fol-
13 lowing new paragraph:

14 “(3) CERTAIN AMOUNTS TREATED AS WAGES.—
15 The term ‘wages’ includes amounts paid or incurred
16 by the employer which are excludable from the em-
17 ployee’s gross income under—

18 “(A) section 105 (relating to amounts re-
19 ceived under accident and health plans),

20 “(B) section 106 (relating to contributions
21 by employer to accident and health plans),

22 “(C) section 127 (relating to educational
23 assistance programs) or would be so excludable
24 but for section 127(d), but only to the extent
25 paid or incurred to a person not related to the
26 employer, or

1 “(D) section 129 (relating to dependent
2 care assistance programs).

3 The amount treated as wages by subparagraph (A)
4 or (B) for any period shall be based on the reason-
5 able cost of coverage for the period, but shall not ex-
6 ceed the applicable premium for the period under
7 section 4980B(f)(4).”

8 (c) CONSOLIDATION OF WELFARE-TO-WORK TAX
9 CREDIT AND WORK OPPORTUNITY TAX CREDIT.—

10 (1) IN GENERAL.—Paragraph (1) of section
11 51(d) of such Code is amended by striking “or” at
12 the end of subparagraph (G), by striking the period
13 at the end of subparagraph (H) and inserting “, or”,
14 and by adding at the end the following new subpara-
15 graph:

16 “(I) a long-term family assistance recipi-
17 ent.”

18 (2) DEFINITION.—Subsection (d) of section 51
19 of such Code is amended by redesignating para-
20 graphs (10), (11), and (12) as paragraphs (11),
21 (12), and (13), respectively, and by inserting after
22 paragraph (9) the following new paragraph:

23 “(10) LONG-TERM FAMILY ASSISTANCE RECIPI-
24 ENT.—

1 “(A) IN GENERAL.—The term ‘long-term
2 family assistance recipient’ means any indi-
3 vidual who is certified by the designated local
4 agency—

5 “(i) as being a member of a family re-
6 ceiving assistance under a IV-A program
7 for at least the 18-month period ending on
8 the hiring date,

9 “(ii)(I) as being a member of a family
10 receiving such assistance for at least 18
11 months beginning after August 5, 1997,
12 and

13 “(II) as having a hiring date which is
14 not more than 2 years after the end of the
15 18th month beginning after August 5,
16 1997, that the individual is a member of a
17 family receiving such assistance, or

18 “(iii)(I) as being a member of a fam-
19 ily which ceased to be eligible after August
20 5, 1997, for such assistance by reason of
21 any limitation imposed by Federal or State
22 law on the maximum period such assist-
23 ance is payable to a family, and

1 “(II) as having a hiring date which is
2 not more than 2 years after the date of
3 such cessation.

4 “(B) SPECIAL RULES FOR DETERMINING
5 AMOUNT OF CREDIT.—For purposes of applying
6 this subpart to wages paid or incurred to any
7 long-term family assistance recipient—

8 “(i) the credit determined under this
9 section shall include 40 percent of the
10 qualified second-year wages for the taxable
11 year,

12 “(ii) notwithstanding subsection
13 (b)(3), the amount of the qualified first-
14 year wages, and the amount of qualified
15 second-year wages, which may be taken
16 into account with respect to any individual
17 shall not exceed \$10,000 per year, and

18 “(iii) paragraph (1) of subsection (h)
19 shall be applied by substituting ‘\$10,000’
20 for ‘\$6,000’ in subparagraph (A) and
21 ‘\$833.33’ for ‘\$500’ in subparagraph (B).

22 “(C) QUALIFIED SECOND-YEAR WAGES.—
23 For purposes of subparagraph (B), the term
24 ‘qualified second-year wages’ means, with re-
25 spect to any individual, qualified wages attrib-

1 utable to service rendered during the 1-year pe-
 2 riod beginning on the day after the last day of
 3 the 1-year period with respect to such indi-
 4 vidual determined under subsection (b)(2).”

5 (3) REPEAL OF SEPARATE WELFARE-TO-WORK
 6 CREDIT.—

7 (A) Section 51A of such Code is hereby re-
 8 pealed.

9 (B) The table of sections for subpart E of
 10 part IV of subchapter A of chapter 1 of such
 11 Code is amended by striking the item relating
 12 to section 51A.

13 (d) CLARIFICATION OF FIRST YEAR OF EMPLOY-
 14 MENT.—Paragraph (2) of section 51(i) of such Code is
 15 amended by striking “during which he was not a member
 16 of a targeted group”.

17 (e) TECHNICAL CORRECTION.—Subparagraph (B) of
 18 section 51(d)(2) of such Code is amended—

19 (1) by striking “plan approved” and inserting
 20 “program funded”, and

21 (2) by striking “(relating to assistance for
 22 needy families with minor children)”.

23 (f) EFFECTIVE DATE.—

24 (1) IN GENERAL.—Except as otherwise pro-
 25 vided in this subsection, the amendments made by

1 this section shall apply to individuals who begin
2 work for the employer after June 30, 1999.

3 (2) CLARIFICATION.—The amendment made by
4 subsection (d) shall apply to individuals who begin
5 work for the employer after June 30, 1999.

6 (3) TECHNICAL CORRECTION.—The amendment
7 made by subsection (e) shall take effect as if in-
8 cluded in the amendments made by section 1201 of
9 the Small Business Job Protection Act of 1996.

10 **SEC. 3. TREATMENT OF WORK OPPORTUNITY WAGES AS**
11 **PAYMENT OF EMPLOYMENT TAX LIABILITY.**

12 (a) IN GENERAL.—Chapter 25 of the Internal Rev-
13 enue Code of 1986 (relating to general provisions relating
14 to employment taxes) is amended by inserting after sec-
15 tion 3510 the following new section:

16 **“SEC. 3511. TREATMENT OF WORK OPPORTUNITY WAGES**
17 **AS PAYMENT OF EMPLOYMENT TAX LIABIL-**
18 **ITY.**

19 “(a) GENERAL RULE.—For purposes of this title, the
20 amount equal to the work opportunity credit amount with
21 respect to any wages paid for any calendar quarter by an
22 eligible tax-exempt employer shall be treated as a payment
23 by such employer of such employer’s employment tax li-
24 ability for such calendar quarter.

1 “(b) WORK OPPORTUNITY CREDIT AMOUNT.—For
2 purposes of this section, the work opportunity credit
3 amount for any calendar quarter is the amount of the
4 credit determined under section 51 (relating to work op-
5 portunity credit) in accordance with the following:

6 “(1) MINIMUM EMPLOYMENT PERIODS.—For
7 purposes of applying section 51(i)(3), in lieu of the
8 hours of services actually performed by an individual
9 during any of the first 3 quarters of a calendar year,
10 an employer may make an estimate of the hours of
11 services an individual is reasonably expected to per-
12 form for the employer in such calendar year. The
13 employer shall adjust the deemed payments in ac-
14 cordance with subsection (c) for the last quarter of
15 such calendar year to reflect the hours of services
16 actually performed by such individual in such cal-
17 endar year.

18 “(2) ELIGIBLE TAX-EXEMPT EMPLOYER.—The
19 term ‘eligible tax-exempt employer’ means any orga-
20 nization described in section 501(c)(3) and exempt
21 from tax under section 501(a) but only with respect
22 to activities of such organization which do not con-
23 stitute an unrelated trade or business.

24 “(c) COORDINATION WITH DEPOSITORY REQUIRE-
25 MENTS.—

1 “(1) IN GENERAL.—Any employer who is enti-
2 tled to treat any amount as a payment under sub-
3 section (a) for any calendar quarter may reduce, in
4 such manner as the Secretary may by regulations
5 prescribe, by a like amount, the amount otherwise
6 required to be deposited during such quarter by rea-
7 son of the employment tax liability of such employer.

8 “(2) QUARTERLY DETERMINATIONS.—The
9 amount of reduction permitted under paragraph (1)
10 for any calendar quarter shall be based on a sepa-
11 rate estimate for such quarter of the amount of
12 deemed payments to which the employer reasonably
13 expects to be entitled under subsection (a) for the
14 calendar year which includes such quarter and shall
15 be properly adjusted (under regulations prescribed
16 by the Secretary) to reflect the amount by which
17 prior reductions under subsection (a) during such
18 calendar year were in excess of, or less than, the
19 amounts which would be proper under such esti-
20 mate.

21 “(3) YEAR-END ADJUSTMENTS.—

22 “(A) EXCESS OF DEEMED PAYMENTS AL-
23 LOWABLE OVER DEPOSITORY BENEFIT
24 CLAIMED.—If the amount of deemed payments
25 to which an employer is entitled under sub-

1 section (a) for any calendar year exceeds the
2 amount claimed by the employer under para-
3 graph (1) during such year, such excess shall be
4 treated for purposes of this title as an overpay-
5 ment made by such employer. For purposes of
6 determining interest, such overpayment shall be
7 treated as made on January 31 of the following
8 calendar year.

9 “(B) DEPOSITORY BENEFIT CLAIMED EX-
10 CEEDS DEEMED PAYMENT ALLOWABLE.—If the
11 amount claimed by the employer under para-
12 graph (1) during the calendar year exceeds the
13 amount of deemed payments to which such em-
14 ployer is entitled under subsection (a) for such
15 year, such excess shall be treated for purposes
16 of this title as an underpayment of the tax im-
17 posed by this chapter for such calendar year.
18 For purposes of determining interest, such un-
19 derpayment shall be allocated ratably among
20 the calendar quarters in such year (or in such
21 other manner as the Secretary may by regula-
22 tions prescribe).

23 “(d) PAYMENT TREATED AS MADE ON DUE DATE.—
24 Notwithstanding subsection (c), for purposes of deter-
25 mining interest, any deemed payment under subsection (a)

1 for any calendar quarter shall be treated as made on the
2 due date for the return for such quarter.

3 “(e) EMPLOYMENT TAX LIABILITY.—For purposes
4 of this section, the term ‘employment tax liability’ means
5 liability for the taxes imposed by chapters 21 and 24.

6 “(f) SOCIAL SECURITY TRUST FUNDS.—This section
7 shall not be construed to affect amounts appropriated
8 under sections 201 and 1817(a) of the Social Security Act.

9 “(g) TERMINATION.—This section shall not apply to
10 wages paid to an individual who begins work for the em-
11 ployer after December 31, 2002.”

12 (b) CLERICAL AMENDMENT.—The table of sections
13 for chapter 25 of such Code is amended by adding at the
14 end the following new item:

“Sec. 3511. Treatment of work opportunity wages as payment of
employment tax liability.”

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to individuals who begin work for
17 the employer after December 31, 1999.

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