

107TH CONGRESS  
2D SESSION

# H. R. 3768

To amend the Internal Revenue Code of 1986 to provide tax credits for hiring workers retrained in Trade Adjustment and Assistance programs.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2002

Mr. BALDACCİ introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide tax credits for hiring workers retrained in Trade Adjustment and Assistance programs.

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

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Worker Retraining In-  
5       centive Act of 2002”.

1 **SEC. 2. REFUNDABLE CREDIT FOR PORTION OF SOCIAL SE-**  
 2 **CURITY TAXES BORNE BY EMPLOYEES WHO**  
 3 **COMPLETE TRAINING PROGRAM UNDER**  
 4 **TRADE ACT OF 1974.**

5 (a) GENERAL RULE.—Subpart C of part IV of sub-  
 6 chapter A of chapter 1 (relating to refundable credits) is  
 7 amended by redesignating section 35 as section 36 and  
 8 by inserting after section 34 the following new section:

9 **“SEC. 35. CREDIT FOR PORTION OF SOCIAL SECURITY**  
 10 **TAXES BORNE BY EMPLOYEES WHO COM-**  
 11 **plete TRAINING PROGRAM UNDER TRADE**  
 12 **ACT OF 1974.**

13 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
 14 gible individual, there shall be allowed as a credit against  
 15 the tax imposed by this subtitle for the taxable year an  
 16 amount equal to the individual’s social security taxes at-  
 17 tributable to service rendered during the 1-year period be-  
 18 ginning with the day the individual begins work for the  
 19 employer.

20 “(b) LIMITATION.—No credit shall be allowed under  
 21 subsection (a) with respect to an individual for a taxable  
 22 year if the sum of the wages (as defined in section  
 23 3121(a)) and compensation (as defined in section 3231(e))  
 24 of such individual for such 1-year period is \$60,000 or  
 25 greater.

26 “(c) ELIGIBLE INDIVIDUAL.—

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion, the term ‘eligible individual’ means an indi-  
3           vidual who—

4                   “(A) successfully completes a Trade Ad-  
5                   justment Assistance program under chapter 2  
6                   of title II of the Trade Act of 1974, and

7                   “(B) within 1 year after the completion of  
8                   such program begins work with an employer in  
9                   a position requiring skills which are taught in  
10                  such program.

11           “(2) EXCEPTION.—For purposes of paragraph  
12           (1), an individual shall not be treated as an eligible  
13           individual if such individual is reemployed with the  
14           same employer (or successor thereto) in the same or  
15           similar position in which such individual last served  
16           before beginning such program.

17           “(3) AGGREGATION RULE.—All persons treated  
18           as a single employer under subsection (a) or (b) of  
19           section 52, or subsection (n) or (o) of section 414,  
20           shall be treated as a single employer for purposes of  
21           this subsection.

22           “(d) SOCIAL SECURITY TAXES.—For purposes of this  
23           section—

1           “(1) IN GENERAL.—The term ‘social security  
2       taxes’ means, with respect to any taxpayer for any  
3       taxable year—

4           “(A) the amount of the taxes imposed by  
5       section 3101(a) on amounts received by the tax-  
6       payer during the calendar year in which the  
7       taxable year begins,

8           “(B) the amount of the taxes determined  
9       using so much of the rate applicable under sec-  
10      tion 3201(a) as does not exceed the rate of tax  
11      in effect under section 3101(a) which is im-  
12      posed by section 3201(a) on amounts received  
13      by the taxpayer during the calendar year in  
14      which the taxable year begins, and

15          “(C) the amount of the taxes determined  
16      using so much of the rate applicable under sec-  
17      tion 3211(a)(1) as does not exceed the rate of  
18      tax in effect under section 3101(a) which is im-  
19      posed by section 3211(a)(1) on amounts re-  
20      ceived by the taxpayer during the calendar year  
21      in which the taxable year begins.

22          “(2) COORDINATION WITH SPECIAL REFUND OF  
23      SOCIAL SECURITY TAXES.—The term ‘social security  
24      taxes’ shall not include any taxes to the extent the

1 taxpayer is entitled to a special refund of such taxes  
2 under section 6413(c).

3 “(3) SPECIAL RULE.—Any amounts paid pursu-  
4 ant to an agreement under section 3121(l) (relating  
5 to agreements entered into by American employers  
6 with respect to foreign affiliates) which are equiva-  
7 lent to the taxes referred to in paragraph (1)(A)  
8 shall be treated as taxes referred to in such para-  
9 graph.

10 “(e) DENIAL OF CREDIT TO DEPENDENTS.—No  
11 credit shall be allowed under this section to any individual  
12 with respect to whom a deduction under section 151 is  
13 allowable to another taxpayer for a taxable year beginning  
14 in the calendar year in which such individual’s taxable  
15 year begins.”.

16 (b) TECHNICAL AMENDMENTS.—

17 (1) Paragraph (2) of section 1324(b) of title  
18 31, United States Code, is amended by inserting “or  
19 from section 35 of such Code” before the period at  
20 the end.

21 (2) The table of sections for subpart C of part  
22 IV of subchapter A of chapter 1 is amended by  
23 striking the item relating to section 35 and inserting  
24 the following:

“Sec. 35. Credit for portion of social security taxes borne by employees who complete training program under Trade Act of 1974.

“Sec. 36. Overpayments of tax.”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2002.

4       **SEC. 3. CREDIT FOR PORTION OF EMPLOYER SOCIAL SECU-**  
5                               **RITY TAXES PAID WITH RESPECT TO EM-**  
6                               **PLOYEES HIRED AFTER COMPLETING TRAIN-**  
7                               **ING PROGRAMS UNDER TRADE ACT OF 1974.**

8       (a) IN GENERAL.—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of  
10 1986 (relating to business related credits) is amended by  
11 adding at the end the following:

12       **“SEC. 45G. CREDIT FOR PORTION OF EMPLOYER SOCIAL**  
13                               **SECURITY TAXES PAID WITH RESPECT TO**  
14                               **EMPLOYEES HIRED AFTER COMPLETING**  
15                               **TRAINING PROGRAMS UNDER TRADE ACT OF**  
16                               **1974.**

17       “(a) GENERAL RULE.—For purposes of section 38,  
18 the employer trade adjustment assistance hiring credit de-  
19 termined under this section for the taxable year is an  
20 amount equal to the aggregate of the qualified social secu-  
21 rity taxes paid or incurred which are attributable to serv-  
22 ice of an eligible employee rendered during the 1-year pe-

1 riod beginning on the day the employee begins work for  
2 the employer.

3 “(b) LIMITATION.—No credit shall be allowed under  
4 subsection (a) with respect to an employee for a taxable  
5 year if the sum of the wages (as defined in section  
6 3121(a)) and compensation (as defined in section 3231(e))  
7 of such employee for such 1-year period is \$60,000 or  
8 greater.

9 “(c) QUALIFIED SOCIAL SECURITY TAX.—

10 “(1) IN GENERAL.—For purposes of this sec-  
11 tion, the term ‘qualified social security tax’ means,  
12 with respect to any eligible employee for any taxable  
13 year—

14 “(A) the amount of the taxes imposed by  
15 section 3111(a) on amounts paid with respect  
16 to such employee by the taxpayer during the  
17 calendar year in which the taxable year begins,  
18 and

19 “(B) the amount of the taxes determined  
20 using so much of the rate applicable under sec-  
21 tion 3221(a) as does not exceed the rate of tax  
22 in effect under section 3111(a) which is im-  
23 posed by section 3221(a) on amounts paid with  
24 respect to such employee by the taxpayer dur-

1           ing the calendar year in which the taxable year  
2           begins.

3           “(2) COORDINATION WITH SPECIAL REFUND OF  
4           SOCIAL SECURITY TAXES.—The term ‘social security  
5           taxes’ shall not include any taxes to the extent the  
6           taxpayer is entitled to a special refund of such taxes  
7           under section 6413(c).

8           “(3) SPECIAL RULE.—Any amounts paid pursu-  
9           ant to an agreement under section 3121(l) (relating  
10          to agreements entered into by American employers  
11          with respect to foreign affiliates) which are equiva-  
12          lent to the taxes referred to in paragraph (1)(A)  
13          shall be treated as taxes referred to in such para-  
14          graph.

15          “(d) ELIGIBLE EMPLOYEE.—For purposes of this  
16          section, the term ‘eligible employee’ means an individual  
17          who is an eligible individual (as defined in section 35(c)).

18          “(e) DENIAL OF DOUBLE BENEFIT.—No deduction  
19          or other credit shall be allowed under this chapter for any  
20          amount taken into account in determining the credit under  
21          this section.

22          “(f) ELECTION NOT TO CLAIM CREDIT.—This sec-  
23          tion shall not apply to a taxpayer for any taxable year  
24          if such taxpayer elects to have this section not apply for  
25          such taxable year.”.



1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 38(b) of such Code is amended by  
 3 striking “plus” at the end of paragraph (14), by  
 4 striking the period at the end of paragraph (15) and  
 5 inserting “, plus”, and by adding at the end the fol-  
 6 lowing:

7 “(16) the trade adjustment assistance hiring  
 8 credit determined under section 45G.”.

9 (2) The table of sections for subpart D of part  
 10 IV of subchapter A of chapter 1 of such Code is  
 11 amended by adding at the end the following:

“Sec. 45G. Credit for portion of employer social security taxes  
 paid with respect to employees hired after com-  
 pleting training programs under Trade Act of  
 1974.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
 13 this section shall apply to taxable years beginning after  
 14 December 31, 2002.

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