

107TH CONGRESS  
1ST SESSION

# S. 427

To amend the Internal Revenue Code of 1986 to expand the work opportunity tax credit for small business jobs creation.

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## IN THE SENATE OF THE UNITED STATES

MARCH 1, 2001

Mrs. CLINTON (for herself, Ms. SNOWE, Mr. CORZINE, Mr. DAYTON, Mr. DODD, Mr. LIEBERMAN, Ms. MIKULSKI, Mr. ROCKEFELLER, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To amend the Internal Revenue Code of 1986 to expand the work opportunity tax credit for small business jobs creation.

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

**3 SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Small Business Jobs  
5 Tax Credit Act of 2001”.

**6 SEC. 2. FINDINGS.**

7       Congress finds the following:

8           (1) In many parts of the United States, segments of large cities, smaller cities, and rural areas

1 are experiencing population loss and low job growth  
2 that hurt the surrounding communities.

3 (2) In areas hurt by low job growth, people are  
4 forced to leave the communities they have lived in  
5 their whole life to secure a job.

6 (3) A small business tax credit to promote jobs  
7 in areas suffering from low job growth and popu-  
8 lation loss would spur economic growth and would  
9 provide incentives for businesses to take advantage  
10 of an often underutilized, well-educated workforce.

11 (4) By promoting economic growth, such a tax  
12 credit would revitalize these areas that are less likely  
13 to receive other Federal investments.

14 **SEC. 3. EXPANSION OF WORK OPPORTUNITY TAX CREDIT.**

15 (a) IN GENERAL.—Section 51(d)(1) of the Internal  
16 Revenue Code of 1986 (relating to members of targeted  
17 groups) is amended by striking “or” at the end of sub-  
18 paragraph (G), by striking the period at the end of sub-  
19 paragraph (H) and inserting “, or”, and by adding at the  
20 end the following:

21 “(I) a qualified small business employee.”.

22 (b) QUALIFIED SMALL BUSINESS EMPLOYEE.—Sec-  
23 tion 51(d) of the Internal Revenue Code of 1986 is amend-  
24 ed by redesignating paragraphs (10) through (12) as para-

1 graphs (11) through (13), respectively, and by inserting  
2 after paragraph (9) the following:

3                 “(10)    QUALIFIED    SMALL    BUSINESS    EM-  
4                 PLOYEE.—

5                 “(A)    IN    GENERAL.—The    term   ‘qualified  
6                 small    business    employee’    means    any  
7                 individual—

8                 “(i)    hired    by    a    qualified    small    busi-  
9                 ness    located    in    a    development    zone,    or

10                 “(ii)    hired    by    a    qualified    small    busi-  
11                 ness    and    who    is    certified    by    the    designated  
12                 local    agency    as    residing    in    such    a    develop-  
13                 ment    zone.

14                 “(B)    QUALIFIED    SMALL    BUSINESS.—The  
15                 term   ‘qualified    small    business’    has    the    meaning  
16                 given    the    term   ‘small    employer’    by    section  
17                 4980D(d)(2).

18                 “(C)    DEVELOPMENT    ZONE.—For    purposes  
19                 of    this    section—

20                 “(i)    IN    GENERAL.—The    term   ‘devel-  
21                 opment    zone’    means   any    area—

22                 “(I)    which    is    nominated    under  
23                 the    procedures    defined    in    sections  
24                 1400E(a)(1)(A)    and    1400E(a)(4)    for  
25                 renewal    communities;

1                             “(II) which the Secretary of  
2                             Housing and Urban Development des-  
3                             ignates as a development zone, after  
4                             consultation with the Secretary of  
5                             Commerce;

6                             “(III) which has a population of  
7                             not less than 5,000 and not more  
8                             than 150,000;

9                             “(IV) which has a poverty rate  
10                             not less than 20 percent (within the  
11                             meaning of section 1400E(c)(3)(C));

12                             “(V) which has an average an-  
13                             nual rate of job growth of less than 2  
14                             percent during any 3 years of the pre-  
15                             ceding 5-year period; and

16                             “(VI) which, during the period  
17                             beginning January 1, 1990 and end-  
18                             ing with the date of the enactment of  
19                             this Act, has a net out-migration of  
20                             inhabitants, or other population loss,  
21                             from the area of at least 2 percent of  
22                             the population of the area during such  
23                             period.

24                             “(ii) NUMBER OF DESIGNATIONS.—  
25                             The Secretary of Housing and Urban De-

1 development may not designate more than  
2 100 development zones.

3 “(D) SPECIAL RULES FOR DETERMINING  
4 AMOUNT OF CREDIT.—For purposes of applying  
5 this subpart to wages paid or incurred to any  
6 qualified small business employee—

7 “(i) subsection (a) shall be applied by  
8 substituting “20 percent of the qualified  
9 first, second, third, fourth, or fifth year  
10 wages” for “40 percent of the qualified  
11 first year wages”, and

12 “(ii) in lieu of paragraphs (2) and (3)  
13 of subsection (b), the following definitions  
14 and special rule shall apply:

15 “(I) QUALIFIED FIRST-YEAR  
16 WAGES.—The term ‘qualified first-  
17 year wages’ means, with respect to  
18 any individual, qualified wages attrib-  
19 utable to service rendered during the  
20 1-year period beginning with the day  
21 the individual begins work for the em-  
22 ployer.

23 “(II) QUALIFIED SECOND-YEAR  
24 WAGES.—The term ‘qualified second-  
25 year wages’ means, with respect to

any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subclause (I).

1                             “(V)    QUALIFIED    FIFTH-YEAR  
2                             WAGES.—The term ‘qualified fifth-  
3                             year wages’ means, with respect to  
4                             any individual, qualified wages attrib-  
5                             utable to service rendered during the  
6                             1-year period beginning on the day  
7                             after the last day of the 1-year period  
8                             with respect to such individual deter-  
9                             mined under subclause (IV).

10                           “(VI)    ONLY    FIRST    \$15,000    OF  
11                           WAGES    PER    YEAR    TAKEN    INTO    AC-  
12                           COUNT.—The amount of the qualified  
13                             first, second, third, fourth, and fifth  
14                             year wages which may be taken into  
15                             account with respect to any individual  
16                             shall not exceed \$15,000 per year.”.

17                           (c)    EFFECTIVE    DATE.—The amendments made by  
18    this section shall apply to individuals who begin work for  
19    the employer after the date of the enactment of this Act.

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