

108TH CONGRESS
2D SESSION

S. 2585

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

IN THE SENATE OF THE UNITED STATES

JUNE 24, 2004

Mrs. CLINTON introduced the following bill; which was read twice and referred to the Committee on Finance

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 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 “Small Business Jobs
5 Tax Credit Act of 2004”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) In many parts of the United States, seg-
9 ments 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 indi-
 7 vidual—

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-

velopment may not designate more than
100 development zones.

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

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

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

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

“(II) QUALIFIED SECOND-YEAR
WAGES.—The term ‘qualified second-
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).

“(III) QUALIFIED THIRD-YEAR WAGES.—The term ‘qualified third-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 (II).

“(IV) QUALIFIED FOURTH-YEAR WAGES.—The term ‘qualified fourth-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 (III).

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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