

109TH CONGRESS  
2D SESSION

# H. R. 5146

To amend the Internal Revenue Code of 1986 to allow a credit against  
tax to qualified small employers who create new jobs.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2006

Mr. KNOLLENBERG 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 allow a  
credit against tax to qualified small employers who create  
new jobs.

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 “Job Creation Incentive  
5       Act of 2006”.

6       **SEC. 2. JOB CREATION CREDIT FOR SMALL EMPLOYERS.**

7       (a) ALLOWANCE OF CREDIT.—Subpart D of part IV  
8       of subchapter A of chapter 1 of the Internal Revenue Code  
9       of 1986 (relating to business related credits) is amended  
10      by inserting after section 45M the following new section:

1 **“SEC. 45N. JOB CREATION CREDIT FOR SMALL EMPLOYERS.**

2       “(a) GENERAL RULE.—For purposes of section 38,  
3 in the case of a qualified small employer, the amount of  
4 the job creation credit determined under this section for  
5 a taxable year is an amount equal to 5 percent of the  
6 amount of qualified wages paid by the qualified small em-  
7 ployer to a qualified employee during the taxable year.

8       “(b) LIMITATIONS.—

9               “(1) MAXIMUM CREDIT.—With respect to a  
10 qualified small employer, the total amount of the job  
11 creation credit determined under subsection (a) for  
12 any taxable year shall not exceed 25 percent of the  
13 qualified small employer’s regular tax liability (as  
14 defined in section 26(b)).

15               “(2) DOLLAR LIMITATION.—With respect to a  
16 qualified employee, the amount of the job creation  
17 credit determined under subsection (a) for a taxable  
18 year shall not exceed \$2,500.

19               “(3) EMPLOYMENT REQUIREMENT.—With re-  
20 spect to a qualified employee employed by a qualified  
21 small employer, the amount of the job creation cred-  
22 it determined under subsection (a) shall be zero if  
23 the qualified small employer does not maintain dur-  
24 ing the first 180 days that the qualified employee is  
25 employed a number of employees equal to or greater  
26 than the number of employees employed by the em-

1        ployer on the first day of the qualified employee’s  
2        employment.

3        “(c) DEFINITIONS.—For purposes of this section,  
4        with respect to a taxable year—

5                “(1) QUALIFIED SMALL EMPLOYER.—The term  
6        ‘qualified small employer’ means an employer who  
7        employs not more than 100 employees during the  
8        taxable year.

9                “(2) QUALIFIED EMPLOYEE.—In the case of a  
10       qualified small employer, the term ‘qualified em-  
11       ployee’ means an employee of the qualified small em-  
12       ployer—

13                “(A) who is not hired to replace a former  
14       employee of the qualified small employer,

15                “(B) who completes the first 180 days and  
16       960 hours of employment during such taxable  
17       year, and

18                “(C) whose employment by the qualified  
19       small employer results in an increase in the  
20       total number of employees employed by the  
21       qualified small employer.

22                “(3) QUALIFIED WAGES.—In the case of a  
23       qualified small employer, the term ‘qualified wages’  
24       means any wages paid or incurred by the qualified  
25       small employer for services performed by an em-

1        ployee of such qualified small employer, except that  
 2        such term shall not include the cash value of all re-  
 3        muneration (including benefits) paid in any medium  
 4        other than cash.

5        “(d) DENIAL OF DOUBLE BENEFIT.—No deduction  
 6        shall be allowed under this chapter for any amount taken  
 7        into account in determining the credit under this section.

8        “(e) ELECTION NOT TO CLAIM CREDIT.—This sec-  
 9        tion shall not apply to a taxpayer for any taxable year  
 10       if such taxpayer elects to have this section not apply for  
 11       such taxable year.”.

12       (b) CREDIT TO BE PART OF GENERAL BUSINESS  
 13       CREDIT.—Subsection (b) of section 38 of such Code (re-  
 14       lating to general business credit) is amended by striking  
 15       “and” at the end of paragraph (29), by striking the period  
 16       at the end of paragraph (30) and inserting “, and”, and  
 17       by adding at the end the following new paragraph:

18                “(31) the job creation credit determined under  
 19       section 45N(a).”.

20       (c) CONFORMING AMENDMENT.—The table of sec-  
 21       tions for subpart D of part IV of subchapter A of chapter  
 22       1 of such Code is amended by inserting after the item  
 23       relating to section 45M the following new item:

“Sec. 45N. Job creation credit for small employers.”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2006.

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