
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1848 Session of
1999

INTRODUCED BY BOYES AND TRELLO, SEPTEMBER 27, 1999

REFERRED TO COMMITTEE ON FINANCE, SEPTEMBER 27, 1999

AN ACT

1 Providing for a tax credit to employers who hire persons who
2 previously received general assistance or temporary
3 assistance to needy families; and making a repeal.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the Employment
8 Incentive Payment Tax Credit Act.

9 Section 2. Definitions.

10 The following words and phrases when used in this act shall
11 have the meanings given to them in this section unless the
12 context clearly indicates otherwise:

13 "Eligible individual." Any of the following:

14 (1) A person who, within the 12 months preceding the
15 date of hire, received general assistance.

16 (2) A person who, within the 12 months preceding the
17 date of hire, received temporary assistance to needy
18 families.

1 "Employment incentive payment." The employment incentive
2 payment credit provided by this act.

3 "Pass-through entity." Any of the following:

4 (1) A partnership, limited partnership, limited
5 liability company, business trust or other unincorporated
6 entity that for Federal income tax purposes is taxable as a
7 partnership.

8 (2) A Pennsylvania S corporation.

9 "Qualified first-year wages." The qualified wages
10 attributable to service rendered by an eligible individual
11 during the one-year period beginning with the day the eligible
12 individual begins work for the employer.

13 "Qualified second-year wages." The qualified wages
14 attributable to service rendered by an eligible individual
15 during the one-year period beginning one year after the eligible
16 individual begins work for the employer.

17 "Qualified tax liability." The liability for taxes imposed
18 under Article III, IV, VII, VIII, IX or XV of the act of March
19 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971. The
20 term includes the liability for taxes imposed under Article III
21 of the Tax Reform Code of 1971 on the owner or owners of a pass-
22 through entity. The term does not include amounts withheld or
23 required to be withheld from employees under Article III of the
24 Tax Reform Code of 1971.

25 "Qualified third-year wages." The qualified wages
26 attributable to service rendered by an eligible individual
27 during the one-year period beginning two years after the
28 eligible individual begins work for the employer.

29 "Qualified wages." The cash remuneration paid to the
30 employee by the employer, including any amounts deducted or

1 withheld.

2 "Taxpayer." A person or entity subject to tax under Article
3 III, IV, VII, VIII, IX or XV of the act of March 4, 1971 (P.L.6,
4 No.2), known as the Tax Reform Code of 1971. This term includes
5 a pass-through entity.

6 Section 3. Employment incentive payments.

7 (a) Authorization.--A taxpayer who employs a qualified
8 individual shall be entitled to employment incentive payments as
9 provided by this act.

10 (b) Exception.--No employment incentive payment shall be
11 provided for:

12 (1) The employment of a person who displaces any other
13 individual from employment, except persons discharged for
14 cause as certified by the Department of Labor and Industry.

15 (2) The employment of a person closely related, as
16 defined by paragraphs (1) through (8) of section 152(a) of
17 the Internal Revenue Code of 1986 (Public Law 99-514, 26
18 U.S.C. § 1 et. seq.), to the taxpayer, or, if the taxpayer is
19 a corporation, to an individual who owns, directly or
20 indirectly, more than 50% of the outstanding stock of the
21 taxpayer.

22 (3) Wages paid to an individual during the time period
23 for which the employer received federally funded or State
24 funded job training payments for that individual.

25 (c) Amount.--The employment incentive payment shall be
26 calculated as provided in paragraphs (1) and (2):

27 (1) The employment incentive payment shall be the sum of
28 30% of the first \$6,000 of qualified first-year wages, 20% of
29 the first \$6,000 of qualified second-year wages and 10% of
30 the first \$6,000 of qualified third-year wages.

1 (2) If the employer provides or pays for day-care
2 services for the children of an eligible individual, the
3 employer shall be eligible to receive an additional
4 employment incentive payment of \$600 during the first year of
5 employment, \$500 during the second year of employment and
6 \$400 during the third year of employment. The additional
7 payment authorized by this paragraph may not exceed the cost
8 to the employer of the day-care services provided to the
9 children of the eligible individual.

10 (d) Credit.--The employment incentive payment shall be
11 utilized as a credit against a qualified tax liability that the
12 taxpayer must pay as an employer. The employment incentive
13 payment applicable to a pass-through entity shall be allocated
14 in the same manner as income is allocated.

15 (e) Minimum employment period; prorated credit.--

16 (1) Except in cases where an eligible individual
17 voluntarily leaves the employment of the taxpayer, becomes
18 disabled or is terminated for cause, no taxpayer shall be
19 entitled to receive an employment incentive payment if the
20 eligible individual is employed by the taxpayer for less than
21 one year.

22 (2) If the eligible individual leaves the employment of
23 the taxpayer voluntarily, becomes disabled or is terminated
24 for cause in less than one year, the employment incentive
25 payment shall be reduced by the proportion of the year not
26 worked.

27 (f) Limitation.--The total employment incentive payment
28 credit shall not exceed 90% of the total taxes paid by the
29 employer against which the employment incentive payments may be
30 claimed as a credit.

1 (g) Carryover.--Employment incentive payments unused as a
2 tax credit in a taxable year may be carried over against a
3 qualified tax liability in the three immediately subsequent
4 taxable years.

5 (h) Computation of taxable income.--For the purposes of
6 computing a tax liability against which the employment incentive
7 payments may be applied, deductions from taxable income shall be
8 reduced by the employment incentive payments.

9 Section 4. Administration and regulations.

10 The Department of Revenue, in cooperation with the Department
11 of Public Welfare and the Department of Labor and Industry,
12 shall administer the provisions of this act, promulgate
13 appropriate rules, regulations and forms for that purpose and
14 make such determinations as may be required. Determinations made
15 with respect to the employment incentive payment provided in
16 this section may be reviewed and appealed in the manner provided
17 by law for other corporate or personal tax credits.

18 Section 5. Limitation on credits.

19 The total amount of employment incentive payments authorized
20 by this section shall not exceed \$25,000,000 in any fiscal year.
21 To insure that credits are not claimed in excess of this amount,
22 a taxpayer may claim the incentive payments only upon
23 presentation of an authorizing certificate. Certificates will be
24 issued to the taxpayer by the Department of Labor and Industry
25 upon presentation to the Department of Labor and Industry of
26 evidence of a qualifying offer of employment. If necessary to
27 avoid certificate issuances in excess of the maximum authorized
28 amount for any fiscal year, the Department of Revenue shall
29 advise the Department of Labor and Industry of the total number
30 of certificates which may be issued in each calendar quarter.

1 Section 6. Time limitations and report.

2 Employment incentive payments shall not be available for
3 employees hired after December 31, 2004, unless reenacted by the
4 General Assembly. Not later than July 1, 2004, the Department of
5 Public Welfare shall report to the General Assembly on the
6 effectiveness of incentive payments to encourage the employment
7 of general assistance and temporary assistance to needy families
8 recipients and recommend whether the program should be
9 continued. Credits may be claimed against taxes payable for tax
10 years beginning January 1, 2000, and thereafter, and may be
11 claimed for employees hired after December 31, 1999.

12 Section 7. Repeal.

13 Section 491 of the act of June 13, 1967 (P.L.31, No.21),
14 known as the Public Welfare Code, is repealed insofar as it is
15 inconsistent with this act.

16 Section 8. Effective date.

17 This act shall take effect immediately.