

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE BILL

## No. 1848

 Session of 1999

INTRODUCED BY BOYES AND TRELLO, SEPTEMBER 27, 1999

AS REPORTED FROM COMMITTEE ON FINANCE, HOUSE OF REPRESENTATIVES,  
AS AMENDED, OCTOBER 6, 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 PROVIDING FOR A TAX CREDIT TO EMPLOYERS WHO HIRE CERTAIN <—  
5 INDIVIDUALS; AND MAKING A REPEAL.

6 The General Assembly of the Commonwealth of Pennsylvania  
7 hereby enacts as follows:

8 Section 1. Short title.

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

11 Section 2. Definitions.

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

15 "Eligible individual." Any of the following:

16 (1) A person who AT ANY TIME, within the 12 months <—  
17 preceding the date of hire, received general assistance.

18 (2) A person who AT ANY TIME, within the 12 months <—

preceding the date of hire, received temporary assistance to needy families.

(3) A PERSON WHO:

←

(I) HAS A PHYSICAL OR MENTAL DISABILITY WHICH, FOR SUCH INDIVIDUAL, CONSTITUTES OR RESULTS IN A SUBSTANTIAL HANDICAP TO EMPLOYMENT; AND

(II) IS REFERRED TO THE EMPLOYER UPON COMPLETION OF OR WHILE RECEIVING REHABILITATIVE SERVICES PURSUANT TO AN INDIVIDUALIZED WRITTEN REHABILITATION PLAN UNDER A STATE PLAN FOR VOCATIONAL REHABILITATION SERVICES APPROVED UNDER THE REHABILITATION ACT OF 1973 (PUBLIC LAW 93-112, 29 U.S.C. § 701 ET SEQ.), OR A PROGRAM OF VOCATIONAL REHABILITATION CARRIED OUT UNDER TITLE I OF THE VETERANS' REHABILITATION AND EDUCATION AMENDMENTS OF 1980 (PUBLIC LAW 96-466, 94 STAT. 2171).

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

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

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

(2) A Pennsylvania S corporation.

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

"Qualified second-year wages." The qualified wages attributable to service rendered by an eligible individual during the one-year period beginning one year after the eligible

1 individual begins work for the employer.

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

10 "Qualified third-year wages." The qualified wages  
11 attributable to service rendered by an eligible individual  
12 during the one-year period beginning two years after the  
13 eligible individual begins work for the employer.

14 ~~"Qualified wages." The cash remuneration paid to the~~ <—  
15 ~~employee by the employer, including any amounts deducted or~~  
16 ~~withheld.~~

17 "QUALIFIED WAGES." WAGES AS THAT TERM IS DEFINED IN SECTION <—  
18 51A(B)(5) OF THE INTERNAL REVENUE CODE OF 1986 (PUBLIC LAW 99-  
19 514, 26 U.S.C. § 51A(B)(5)).

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

24 Section 3. Employment incentive payments.

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

28 (b) Exception.--No employment incentive payment shall be  
29 provided for:

30 (1) The employment of a person who displaces any other

individual from employment, except persons discharged for cause as certified by the Department of Labor and Industry.

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

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

(c) Amount.--The employment incentive payment shall be calculated ON AN ANNUAL BASIS as provided in paragraphs (1) and (2):

(1) The employment incentive payment shall be the sum of 30% of the first ~~\$6,000~~ \$9,000 of qualified first-year wages, 20% of the first ~~\$6,000~~ \$9,000 of qualified second-year wages and 10% of the first ~~\$6,000~~ \$9,000 of qualified third-year wages.

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

(2) A TAXPAYER ELIGIBLE TO RECEIVE A CREDIT UNDER

1 PARAGRAPH (1) SHALL BE ELIGIBLE TO RECEIVE AN ADDITIONAL  
2 EMPLOYMENT INCENTIVE PAYMENT AS PROVIDED IN THIS PARAGRAPH  
3 IF:

4 (I) THE TAXPAYER PROVIDES OR PAYS FOR DAY-CARE  
5 SERVICES FOR THE CHILDREN OF AN ELIGIBLE INDIVIDUAL; OR

6 (II) THE TAXPAYER PROVIDES OR PAYS FOR  
7 TRANSPORTATION SERVICES THAT ENABLE AN ELIGIBLE  
8 INDIVIDUAL TO TRAVEL TO AND FROM WORK.

9 THE ADDITIONAL EMPLOYMENT INCENTIVE PAYMENTS UNDER THIS  
10 PARAGRAPH SHALL BE THE EXPENSES INCURRED BY THE TAXPAYER FOR  
11 SERVICES LISTED IN SUBPARAGRAPHS (I) AND (II), BUT IN NO CASE  
12 SHALL THE ADDITIONAL EMPLOYMENT INCENTIVE PAYMENT FOR EACH  
13 ELIGIBLE INDIVIDUAL EXCEED \$800 DURING THE FIRST YEAR OF  
14 EMPLOYMENT, \$600 DURING THE SECOND YEAR OF EMPLOYMENT OR \$400  
15 DURING THE THIRD YEAR OF EMPLOYMENT.

16 (d) Credit.--The employment incentive payment shall be  
17 utilized as a credit against a qualified tax liability ~~that the~~ <—  
18 ~~taxpayer must pay as an employer~~ TO WHICH THE TAXPAYER IS <—  
19 SUBJECT. The employment incentive payment applicable to a pass-  
20 through entity shall be allocated in the same manner as income  
21 is allocated.

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

23 (1) Except in cases where an eligible individual  
24 voluntarily leaves the employment of the taxpayer, becomes  
25 disabled or is terminated for cause, no taxpayer shall be  
26 entitled to receive an employment incentive payment if the  
27 eligible individual is employed by the taxpayer for less than  
28 one year.

29 (2) If the eligible individual leaves the employment of  
30 the taxpayer voluntarily, becomes disabled or is terminated

1 for cause in less than one year, the employment incentive  
2 payment shall be reduced by the proportion of the year not  
3 worked.

4 (f) Limitation.--The total employment incentive payment  
5 credit shall not exceed 90% of the total taxes paid by the  
6 employer against which the employment incentive payments may be  
7 claimed as a credit.

8 (g) Carryover.--Employment incentive payments unused as a  
9 tax credit in a taxable year may be carried over against a  
10 qualified tax liability in the ~~three~~ TEN immediately subsequent <—  
11 taxable years.

12 (h) Computation of taxable income.--For the purposes of  
13 computing a tax liability against which the employment incentive  
14 payments may be applied, deductions from taxable income shall be  
15 reduced by the employment incentive payments.

#### 16 Section 4. Administration and regulations.

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

#### 25 Section 5. Limitation on credits.

26 The total amount of employment incentive payments authorized  
27 by this section shall not exceed \$25,000,000 in any fiscal year.  
28 To insure that credits are not claimed in excess of this amount,  
29 a taxpayer may claim the incentive payments only upon  
30 presentation of an authorizing certificate. Certificates will be

1 issued to the taxpayer by the Department of Labor and Industry  
2 upon presentation to the Department of Labor and Industry of  
3 evidence of a qualifying offer of employment. If necessary to  
4 avoid certificate issuances in excess of the maximum authorized  
5 amount for any fiscal year, the Department of Revenue shall  
6 advise the Department of Labor and Industry of the total number  
7 of certificates which may be issued in each calendar quarter.

8 Section 6. Time limitations and report.

9 Employment incentive payments shall not be available for  
10 employees hired after December 31, 2004, unless reenacted by the  
11 General Assembly. Not later than July 1, 2004, the ~~Department~~ <—  
12 SECRETARY of Public Welfare shall report to the General Assembly <—  
13 on the effectiveness of incentive payments to encourage the  
14 employment of general assistance and temporary assistance to  
15 needy families recipients and recommend whether the program  
16 should be continued. Credits may be claimed against taxes  
17 payable for tax years beginning January 1, 2000, and thereafter,  
18 and may be claimed for employees hired after December 31, 1999.

19 Section 7. Repeal.

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

23 Section 8. Effective date.

24 This act shall take effect immediately.