

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. 1848 Session of
1999

INTRODUCED BY BOYES AND TRELLO, SEPTEMBER 27, 1999

SENATOR TILGHMAN, APPROPRIATIONS, IN SENATE, RE-REPORTED AS
AMENDED, NOVEMBER 30, 1999

AN ACT

1 ~~Providing for a tax credit to employers who hire certain~~ <—
2 ~~individuals; and making a repeal.~~
3 AMENDING THE ACT OF MARCH 4, 1971 (P.L.6, NO.2), ENTITLED "AN <—
4 ACT RELATING TO TAX REFORM AND STATE TAXATION BY CODIFYING
5 AND ENUMERATING CERTAIN SUBJECTS OF TAXATION AND IMPOSING
6 TAXES THEREON; PROVIDING PROCEDURES FOR THE PAYMENT,
7 COLLECTION, ADMINISTRATION AND ENFORCEMENT THEREOF; PROVIDING
8 FOR TAX CREDITS IN CERTAIN CASES; CONFERRING POWERS AND
9 IMPOSING DUTIES UPON THE DEPARTMENT OF REVENUE, CERTAIN
10 EMPLOYERS, FIDUCIARIES, INDIVIDUALS, PERSONS, CORPORATIONS
11 AND OTHER ENTITIES; PRESCRIBING CRIMES, OFFENSES AND
12 PENALTIES," FURTHER PROVIDING FOR THE CALCULATION OF THE
13 MANUFACTURING, PROCESSING, RESEARCH AND DEVELOPMENT CAPITAL
14 STOCK AND FRANCHISE TAX EXEMPTIONS; CONTINUING AND EXPANDING
15 A TAX CREDIT TO EMPLOYERS WHO HIRE CERTAIN INDIVIDUALS; AND
16 MAKING A REPEAL.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

19 ~~Section 1. Short title.~~ <—

20 ~~This act shall be known and may be cited as the Employment~~
21 ~~Incentive Payment Tax Credit Act.~~

22 ~~Section 2. Definitions.~~

23 ~~The following words and phrases when used in this act shall~~

~~have the meanings given to them in this section unless the context clearly indicates otherwise:~~

~~"Eligible individual." Any of the following:~~

~~(1) A person who at any time, within the 12 months preceding the date of hire, received general assistance.~~

~~(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 individual begins work for the employer.~~

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

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

~~"Qualified wages." Wages as that term is defined in section 51A(b)(5) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 51A(b)(5)).~~

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

~~Section 3. Employment incentive payments.~~

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

~~(b) Exception. No employment incentive payment shall be provided for:~~

~~(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 \$9,000 of qualified first year wages, 20% of the first \$9,000 of qualified second year wages and 10% of the first \$9,000 of qualified third year wages.~~

~~(2) A taxpayer eligible to receive a credit under paragraph (1) shall be eligible to receive an additional employment incentive payment as provided in this paragraph if:~~

~~(i) the taxpayer provides or pays for day care services for the children of an eligible individual; or~~

~~(ii) the taxpayer provides or pays for transportation services that enable an eligible~~

~~individual to travel to and from work.~~

~~The additional employment incentive payments under this paragraph shall be the expenses incurred by the taxpayer for services listed in subparagraphs (i) and (ii), but in no case shall the additional employment incentive payment for each eligible individual exceed \$800 during the first year of employment, \$600 during the second year of employment or \$400 during the third year of employment.~~

~~(d) Credit. The employment incentive payment shall be utilized as a credit against a qualified tax liability to which the taxpayer is subject. The employment incentive payment applicable to a pass through entity shall be allocated in the same manner as income is allocated.~~

~~(e) Minimum employment period; prorated credit.~~

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

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

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

~~(g) Carryover. Employment incentive payments unused as a~~

1 ~~tax credit in a taxable year may be carried over against a~~
2 ~~qualified tax liability in the ten immediately subsequent~~
3 ~~taxable years.~~

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

8 ~~Section 4. Administration and regulations.~~

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

17 ~~Section 5. Limitation on credits.~~

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

30 ~~Section 6. Time limitations and report.~~

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

11 ~~Section 7. Repeal.~~

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

15 ~~Section 8. Effective date.~~

16 ~~This act shall take effect immediately.~~

17 SECTION 1. SECTION 602(B) OF THE ACT OF MARCH 4, 1971 <—
18 (P.L.6, NO.2), KNOWN AS THE TAX REFORM CODE OF 1971, AMENDED MAY
19 12, 1999 (P.L.26, NO.4), IS AMENDED TO READ:

20 SECTION 602. IMPOSITION OF TAX.--* * *

21 (B) (1) EVERY FOREIGN ENTITY FROM WHICH A REPORT IS
22 REQUIRED UNDER SECTION 601 HEREOF, SHALL BE SUBJECT TO AND PAY
23 TO THE DEPARTMENT ANNUALLY, A FRANCHISE TAX WHICH IS THE GREATER
24 OF (I) THE AMOUNT COMPUTED BY MULTIPLYING EACH DOLLAR OF THE
25 CAPITAL STOCK VALUE AS DEFINED IN SECTION 601(A) BY THE
26 APPROPRIATE RATE OF TAX AS SET FORTH IN SUBSECTION (H); OR (II)
27 THE MINIMUM TAX SET FORTH IN SUBSECTION (I), UPON A TAXABLE
28 VALUE TO BE DETERMINED IN THE FOLLOWING MANNER. THE CAPITAL
29 STOCK VALUE SHALL BE ASCERTAINED IN THE MANNER PRESCRIBED IN
30 SECTION 601(A) OF THIS ARTICLE. THE TAXABLE VALUE SHALL THEN BE

1 DETERMINED BY EMPLOYING THE RELEVANT APPORTIONMENT FACTORS SET
2 FORTH IN ARTICLE IV: PROVIDED, THAT THE MANUFACTURING,
3 PROCESSING, RESEARCH AND DEVELOPMENT EXEMPTIONS CONTAINED UNDER
4 SECTION 602(A) SHALL ALSO APPLY TO FOREIGN CORPORATIONS AND IN
5 DETERMINING THE RELEVANT APPORTIONMENT FACTORS THE NUMERATOR OF
6 THE PROPERTY[, PAYROLL, OR SALES] OR PAYROLL FACTORS SHALL NOT
7 INCLUDE ANY PROPERTY[, PAYROLL OR SALES] OR PAYROLL ATTRIBUTABLE
8 TO MANUFACTURING, PROCESSING, RESEARCH OR DEVELOPMENT ACTIVITIES
9 IN THE COMMONWEALTH.[: AND PROVIDED FURTHER, THAT, EXCEPT] ANY
10 PROPERTY OR PAYROLL ATTRIBUTABLE TO MANUFACTURING, PROCESSING,
11 RESEARCH OR DEVELOPMENT ACTIVITIES OUTSIDE OF THE COMMONWEALTH
12 SHALL ALSO BE EXCLUDED FROM THE NUMERATOR OF THE PROPERTY OR
13 PAYROLL FACTORS. EXCEPT FOR THE IMPOSITION OF THE MINIMUM TAX
14 SET FORTH IN SUBSECTION (I), THE PROVISIONS OF THIS SECTION
15 SHALL NOT APPLY TO THE TAXATION OF SO MUCH OF THE CAPITAL STOCK
16 VALUE ATTRIBUTABLE TO STUDENT LOAN ASSETS OWNED OR HELD BY AN
17 ENTITY CREATED FOR THE SECURITIZATION OF STUDENT LOANS OR BY A
18 TRUSTEE ON ITS BEHALF. ANY FOREIGN CORPORATION, JOINT-STOCK
19 ASSOCIATION, LIMITED PARTNERSHIP OR COMPANY SUBJECT TO THE TAX
20 PRESCRIBED HEREIN MAY ELECT TO COMPUTE AND PAY ITS TAX UNDER
21 SECTION 602(A): PROVIDED, THAT ANY FOREIGN CORPORATION, JOINT-
22 STOCK ASSOCIATION, LIMITED PARTNERSHIP OR COMPANY ELECTING TO
23 COMPUTE AND PAY ITS TAX UNDER SECTION 602(A) SHALL BE TREATED AS
24 IF IT WERE A DOMESTIC CORPORATION FOR THE PURPOSE OF DETERMINING
25 WHICH OF ITS ASSETS ARE EXEMPT FROM TAXATION AND FOR THE PURPOSE
26 OF DETERMINING THE PROPORTION OF THE VALUE OF ITS CAPITAL STOCK
27 WHICH IS SUBJECT TO TAXATION.

28 (2) THE PROVISIONS OF THIS ARTICLE SHALL APPLY TO THE
29 TAXATION OF ENTITIES ORGANIZED FOR MANUFACTURING, PROCESSING,
30 RESEARCH OR DEVELOPMENT PURPOSES, BUT SHALL NOT APPLY TO SUCH

1 ENTITIES AS ENJOY AND EXERCISE THE RIGHT OF EMINENT DOMAIN.

2 * * *

3 SECTION 2. SECTION 1701-A OF THE ACT, AMENDED OR ADDED
4 DECEMBER 19, 1985 (P.L.356, NO.102) AND JULY 1, 1989 (P.L.109,
5 NO.23), IS AMENDED TO READ:

6 [SECTION 1701-A. EMPLOYMENT INCENTIVE PAYMENTS.--(A) ANY
7 CORPORATION, BANK, SAVINGS INSTITUTION, COMPANY, INSURANCE
8 COMPANY, OR MUTUAL THRIFT INSTITUTION EMPLOYING PERSONS, WHO
9 PRIOR TO THEIR EMPLOYMENT WERE RECIPIENTS OF AID TO FAMILIES
10 WITH DEPENDENT CHILDREN OR WHO ARE CLASSIFIED AS CHRONICALLY OR
11 TRANSITIONALLY NEEDY, PURSUANT TO SECTION 432 OF THE ACT OF JUNE
12 13, 1967 (P.L.31, NO.21), KNOWN AS THE "PUBLIC WELFARE CODE,"
13 SHALL BE ENTITLED TO EMPLOYMENT INCENTIVE PAYMENTS TO BE
14 PROVIDED AS A CREDIT AGAINST TAXES IMPOSED BY ARTICLE IV, VII,
15 VIII, IX OR XV OF THIS ACT, AND ANY PERSON, PARTNERSHIP OR
16 PROPRIETORSHIP EMPLOYING SUCH PERSONS SHALL BE ENTITLED TO
17 PAYMENTS TO BE PROVIDED AS A CREDIT AGAINST TAXES IMPOSED BY
18 ARTICLE III OF THIS ACT. FOR THE PURPOSES OF COMPUTING ANY TAX
19 LIABILITIES AGAINST WHICH THE CREDIT MAY BE APPLIED, DEDUCTIONS
20 FROM TAXABLE INCOME SHALL BE REDUCED BY EMPLOYMENT INCENTIVE
21 PAYMENTS. EMPLOYMENT INCENTIVE PAYMENTS UNUSED AS A TAX CREDIT
22 IN ANY TAXABLE YEAR MAY BE CARRIED OVER AGAINST TAX LIABILITIES
23 OF THE EMPLOYER IN THE THREE IMMEDIATELY SUBSEQUENT TAXABLE
24 YEARS.

25 (B) AN EMPLOYMENT INCENTIVE PAYMENT MAY BE CLAIMED BY AN
26 EMPLOYER WHO HIRES ANY PERSON WHO IS RECEIVING AID TO FAMILIES
27 WITH DEPENDENT CHILDREN OR WHO IS CLASSIFIED AS CHRONICALLY OR
28 TRANSITIONALLY NEEDY AT THE TIME OF EMPLOYMENT EXCEPT THAT
29 PAYMENTS SHALL NOT BE PROVIDED FOR:

30 (1) THE EMPLOYMENT OF ANY PERSON WHO DISPLACES ANY OTHER

1 INDIVIDUAL FROM EMPLOYMENT, EXCEPT PERSONS DISCHARGED FOR CAUSE
2 AS CERTIFIED BY THE OFFICE OF EMPLOYMENT SECURITY.

3 (2) THE EMPLOYMENT OF ANY PERSON CLOSELY RELATED, AS DEFINED
4 BY PARAGRAPHS (1) THROUGH (8) OF SECTION 152(A) OF THE INTERNAL
5 REVENUE CODE, TO THE TAXPAYER, OR, IF THE TAXPAYER IS A
6 CORPORATION, TO AN INDIVIDUAL WHO OWNS, DIRECTLY OR INDIRECTLY
7 MORE THAN FIFTY PER CENT OF THE OUTSTANDING STOCK OF THE
8 CORPORATION, BANK, SAVINGS INSTITUTION, COMPANY, INSURANCE
9 COMPANY, OR MUTUAL THRIFT INSTITUTION.

10 (3) THE EMPLOYMENT OF AN INDIVIDUAL FOR WHOM THE EMPLOYER IS
11 SIMULTANEOUSLY RECEIVING FEDERALLY OR STATE FUNDED JOB TRAINING
12 PAYMENTS.

13 (4) THE EMPLOYMENT OF AN INDIVIDUAL AS A DOMESTIC OR OTHER
14 HOUSEHOLD EMPLOYE IN THE HOME OF THE EMPLOYER.

15 (C) (1) THE EMPLOYMENT INCENTIVE PAYMENT SHALL BE THE SUM
16 OF THIRTY PER CENT OF THE FIRST SIX THOUSAND DOLLARS (\$6,000) OF
17 QUALIFIED FIRST YEAR WAGES FOR SUCH YEAR, TWENTY PER CENT OF THE
18 FIRST SIX THOUSAND DOLLARS (\$6,000) OF QUALIFIED SECOND YEAR
19 WAGES FOR SUCH YEAR AND TEN PER CENT OF THE FIRST SIX THOUSAND
20 DOLLARS (\$6,000) OF THE QUALIFIED THIRD YEAR WAGES FOR SUCH
21 YEAR.

22 (2) IF THE EMPLOYER PROVIDES OR PAYS FOR DAY CARE SERVICES
23 FOR THE CHILDREN OF THE EMPLOYE, THE EMPLOYER SHALL BE ELIGIBLE
24 TO RECEIVE AN ADDITIONAL EMPLOYMENT INCENTIVE PAYMENT OF UP TO
25 SIX HUNDRED DOLLARS (\$600) DURING THE FIRST YEAR OF EMPLOYMENT,
26 FIVE HUNDRED DOLLARS (\$500) DURING THE SECOND YEAR OF EMPLOYMENT
27 AND FOUR HUNDRED DOLLARS (\$400) DURING THE THIRD YEAR OF
28 EMPLOYMENT.

29 (3) TOTAL EMPLOYMENT INCENTIVE PAYMENTS SHALL NOT EXCEED
30 NINETY PER CENT OF TOTAL TAXES PAID BY THE EMPLOYER AGAINST

1 WHICH THE INCENTIVE PAYMENTS MAY BE CLAIMED AS A CREDIT.
2 QUALIFIED WAGES MUST BE CASH REMUNERATION TO THE EMPLOYE,
3 INCLUDING ANY AMOUNTS DEDUCTED OR WITHHELD.

4 (D) TO BE ELIGIBLE FOR EMPLOYMENT INCENTIVE PAYMENTS, THE
5 EMPLOYMENT MUST CONTINUE FOR AT LEAST ONE YEAR UNLESS THE
6 EMPLOYE VOLUNTARILY LEAVES THE EMPLOYMENT OF THE EMPLOYER,
7 BECOMES DISABLED OR IS TERMINATED FOR CAUSE. IF THE EMPLOYE
8 LEAVES HIS POSITION VOLUNTARILY, BECOMES DISABLED, OR IS
9 TERMINATED FOR CAUSE IN LESS THAN ONE YEAR, THE EMPLOYMENT
10 INCENTIVE PAYMENT SHALL BE REDUCED BY THE PROPORTION OF THE YEAR
11 NOT WORKED. EMPLOYMENT INITIATED DURING THE YEAR MAY BE CLAIMED
12 AS AN EMPLOYMENT INCENTIVE PAYMENT IN THE SUBSEQUENT YEAR.

13 (E) THE DEPARTMENT OF REVENUE, IN COOPERATION WITH THE
14 DEPARTMENT OF PUBLIC WELFARE AND THE DEPARTMENT OF LABOR AND
15 INDUSTRY, SHALL ADMINISTER THE PROVISIONS OF THIS SECTION,
16 PROMULGATE APPROPRIATE RULES, REGULATIONS AND FORMS FOR THAT
17 PURPOSE AND MAKE SUCH DETERMINATIONS AS MAY BE REQUIRED.
18 DETERMINATIONS MADE WITH RESPECT TO THE EMPLOYMENT INCENTIVE
19 PAYMENT PROVIDED IN THIS SECTION MAY BE REVIEWED AND APPEALED IN
20 THE MANNER PROVIDED BY LAW FOR OTHER CORPORATE OR PERSONAL TAX
21 CREDITS. THE DEPARTMENT OF PUBLIC WELFARE SHALL CONDUCT A
22 PROGRAM OF EMPLOYER EDUCATION TO INFORM EMPLOYERS OF THE
23 BENEFITS AVAILABLE UNDER THIS SECTION AS WELL AS TO INFORM THEM
24 OF ANY SIMILAR TAX CREDITS FOR HIRING WELFARE RECIPIENTS
25 AVAILABLE UNDER FEDERAL LAW.

26 (F) THE TOTAL AMOUNT OF EMPLOYMENT INCENTIVE PAYMENTS
27 AUTHORIZED BY THIS SECTION SHALL NOT EXCEED TWENTY-FIVE MILLION
28 DOLLARS (\$25,000,000) IN ANY FISCAL YEAR. TO INSURE THAT CREDITS
29 ARE NOT CLAIMED IN EXCESS OF THIS AMOUNT, AN EMPLOYER MAY CLAIM
30 THE INCENTIVE PAYMENTS ONLY UPON PRESENTATION OF AN AUTHORIZING

1 CERTIFICATE. CERTIFICATES WILL BE ISSUED TO THE EMPLOYER BY THE
2 DEPARTMENT OF PUBLIC WELFARE UPON PRESENTATION TO THE DEPARTMENT
3 OF PUBLIC WELFARE OF EVIDENCE OF A QUALIFYING OFFER OF
4 EMPLOYMENT. IF NECESSARY TO AVOID CERTIFICATE ISSUANCES IN
5 EXCESS OF THE MAXIMUM AUTHORIZED AMOUNT FOR ANY FISCAL YEAR, THE
6 DEPARTMENT SHALL ADVISE THE DEPARTMENT OF PUBLIC WELFARE OF THE
7 TOTAL NUMBER OF CERTIFICATES WHICH MAY BE ISSUED IN EACH
8 CALENDAR QUARTER. THE DEPARTMENT OF PUBLIC WELFARE MAY ISSUE
9 CERTIFICATES THROUGH THE OFFICE OF EMPLOYMENT SECURITY AND MAY
10 PROMULGATE REGULATIONS TO ALLOCATE CERTIFICATES.

11 (G) EMPLOYMENT INCENTIVE PAYMENTS SHALL NOT BE AVAILABLE FOR
12 EMPLOYES HIRED AFTER JUNE 30, 1993, UNLESS REENACTED BY THE
13 GENERAL ASSEMBLY. NOT LATER THAN SEPTEMBER 1, 1990, AND
14 SEPTEMBER 1 EACH YEAR THEREAFTER, THE DEPARTMENT OF PUBLIC
15 WELFARE SHALL REPORT TO THE GENERAL ASSEMBLY ON THE
16 EFFECTIVENESS OF INCENTIVE PAYMENTS TO ENCOURAGE THE EMPLOYMENT
17 OF CASH ASSISTANCE RECIPIENTS AND RECOMMEND WHETHER CHANGES ARE
18 NEEDED IN THE PROGRAM AND WHETHER THE PROGRAM SHOULD BE
19 CONTINUED. THE REPORT SHALL CONTAIN INFORMATION, INCLUDING THE
20 NUMBER OF AUTHORIZING CERTIFICATES ISSUED BY THE DEPARTMENT OF
21 PUBLIC WELFARE, THE NUMBER OF AUTHORIZING CERTIFICATES ACCEPTED
22 BY THE DEPARTMENT OF REVENUE FROM EMPLOYERS AS EVIDENCE OF
23 QUALIFIED HIRES, THE NUMBER AND DOLLAR AMOUNTS OF TAX CREDITS
24 APPROVED BY THE DEPARTMENT OF REVENUE IN EACH TAX YEAR, THE
25 AVERAGE HOURLY STARTING WAGE OF EMPLOYES HIRED AND THE CATEGORY
26 OF ASSISTANCE RECEIVED PREVIOUSLY BY EMPLOYES HIRED. THE REPORT
27 SHALL ALSO INCLUDE AN ANALYSIS OF THE TYPES OF BUSINESSES
28 IDENTIFIED AS EITHER CORPORATIONS OR INDIVIDUALS OR PARTNERSHIPS
29 WHICH HAVE HAD TAX CREDITS APPROVED BY THE DEPARTMENT OF REVENUE
30 AND THE TYPES OF EMPLOYMENT POSITIONS INTO WHICH EMPLOYES HAVE

1 BEEN HIRED AS INDICATED BY STANDARD OCCUPATIONAL CLASSIFICATION
2 CODES. THE REPORT SHALL DESCRIBE OUTREACH AND PUBLICITY EFFORTS
3 BY THE DEPARTMENT OF PUBLIC WELFARE. THE REPORT SHALL CONTAIN
4 SIMILAR INFORMATION ABOUT THE DAY CARE TAX CREDIT AUTHORIZED IN
5 SUBSECTION (C)(2). CREDITS MAY BE CLAIMED AGAINST TAXES PAYABLE
6 FOR TAX YEARS BEGINNING JANUARY 1, 1989, AND THEREAFTER, AND MAY
7 BE CLAIMED FOR EMPLOYES HIRED ON OR AFTER JANUARY 1, 1989.]

8 SECTION 3. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:

9 SECTION 1702-A. DEFINITIONS.--THE FOLLOWING WORDS, TERMS AND
10 PHRASES WHEN USED IN THIS ARTICLE, SHALL HAVE THE MEANINGS
11 ASCRIED TO THEM IN THIS SECTION, EXCEPT WHERE THE CONTEXT
12 CLEARLY INDICATES A DIFFERENT MEANING:

13 "ELIGIBLE INDIVIDUAL" MEANS ANY OF THE FOLLOWING:

14 (1) A PERSON WHO AT ANY TIME, WITHIN THE TWELVE MONTHS
15 PRECEDING THE DATE OF HIRE, RECEIVED GENERAL ASSISTANCE.

16 (2) A PERSON WHO AT ANY TIME, WITHIN THE TWELVE MONTHS
17 PRECEDING THE DATE OF HIRE, RECEIVED TEMPORARY ASSISTANCE TO
18 NEEDY FAMILIES.

19 (3) A PERSON WHO:

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

23 (II) IS REFERRED TO THE EMPLOYER UPON COMPLETION OF OR WHILE
24 RECEIVING REHABILITATIVE SERVICES PURSUANT TO AN INDIVIDUALIZED
25 WRITTEN REHABILITATION PLAN UNDER A STATE PLAN FOR VOCATIONAL
26 REHABILITATION SERVICES APPROVED UNDER THE REHABILITATION ACT OF
27 1973 (PUBLIC LAW 93-112, 29 U.S.C. § 701 ET SEQ.), OR A PROGRAM
28 OF VOCATIONAL REHABILITATION CARRIED OUT UNDER TITLE I OF THE
29 VETERANS' REHABILITATION AND EDUCATION AMENDMENTS OF 1980
30 (PUBLIC LAW 96-466, 94 STAT. 2171).

1 "EMPLOYMENT INCENTIVE PAYMENT" MEANS THE EMPLOYMENT
2 INCENTIVE PAYMENT CREDIT PROVIDED BY THIS ARTICLE.

3 "PASS-THROUGH ENTITY" MEANS ANY OF THE FOLLOWING:

4 (1) A PARTNERSHIP, LIMITED PARTNERSHIP, LIMITED LIABILITY
5 COMPANY, BUSINESS TRUST OR OTHER UNINCORPORATED ENTITY THAT FOR
6 FEDERAL INCOME TAX PURPOSES IS TAXABLE AS A PARTNERSHIP.

7 (2) A PENNSYLVANIA S CORPORATION.

8 "QUALIFIED FIRST-YEAR WAGES" MEANS THE QUALIFIED WAGES
9 ATTRIBUTABLE TO SERVICE RENDERED BY AN ELIGIBLE INDIVIDUAL
10 DURING THE ONE-YEAR PERIOD BEGINNING WITH THE DAY THE ELIGIBLE
11 INDIVIDUAL BEGINS WORK FOR THE EMPLOYER.

12 "QUALIFIED SECOND-YEAR WAGES" MEANS THE QUALIFIED WAGES
13 ATTRIBUTABLE TO SERVICE RENDERED BY AN ELIGIBLE INDIVIDUAL
14 DURING THE ONE-YEAR PERIOD BEGINNING ONE YEAR AFTER THE ELIGIBLE
15 INDIVIDUAL BEGINS WORK FOR THE EMPLOYER.

16 "QUALIFIED TAX LIABILITY" MEANS THE LIABILITY FOR TAXES
17 IMPOSED UNDER ARTICLE III, IV, VII, VIII, IX OR XV OF THIS ACT.
18 THE TERM INCLUDES THE LIABILITY FOR TAXES IMPOSED UNDER ARTICLE
19 III OF THIS ACT ON THE OWNER OR OWNERS OF A PASS-THROUGH ENTITY.
20 THE TERM DOES NOT INCLUDE AMOUNTS WITHHELD OR REQUIRED TO BE
21 WITHHELD FROM EMPLOYEES UNDER ARTICLE III OF THIS ACT.

22 "QUALIFIED THIRD-YEAR WAGES" MEANS THE QUALIFIED WAGES
23 ATTRIBUTABLE TO SERVICE RENDERED BY AN ELIGIBLE INDIVIDUAL
24 DURING THE ONE-YEAR PERIOD BEGINNING TWO YEARS AFTER THE
25 ELIGIBLE INDIVIDUAL BEGINS WORK FOR THE EMPLOYER.

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

29 "TAXPAYER." A PERSON OR ENTITY SUBJECT TO TAX UNDER ARTICLE
30 III, IV, VII, VIII, IX OR XV OF THIS ACT. THIS TERM INCLUDES A

1 PASS-THROUGH ENTITY.

2 SECTION 1703-A. EMPLOYMENT INCENTIVE PAYMENTS.--(A) A
3 TAXPAYER WHO EMPLOYS AN ELIGIBLE INDIVIDUAL SHALL BE ENTITLED TO
4 EMPLOYMENT INCENTIVE PAYMENTS AS PROVIDED BY THIS ARTICLE.

5 (B) NO EMPLOYMENT INCENTIVE PAYMENT SHALL BE PROVIDED FOR:

6 (1) THE EMPLOYMENT OF A PERSON WHO DISPLACES ANY OTHER
7 INDIVIDUAL FROM EMPLOYMENT, EXCEPT PERSONS DISCHARGED FOR CAUSE
8 AS CERTIFIED BY THE DEPARTMENT OF LABOR AND INDUSTRY.

9 (2) THE EMPLOYMENT OF A PERSON CLOSELY RELATED, AS DEFINED
10 BY CLAUSES (1) THROUGH (8) OF SECTION 152(A) OF THE INTERNAL
11 REVENUE CODE OF 1986 (PUBLIC LAW 99-514, 26 U.S.C. § 1 ET.
12 SEQ.), TO THE TAXPAYER, OR, IF THE TAXPAYER IS A CORPORATION, TO
13 AN INDIVIDUAL WHO OWNS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF
14 THE OUTSTANDING STOCK OF THE TAXPAYER.

15 (3) WAGES PAID TO AN INDIVIDUAL DURING THE TIME PERIOD FOR
16 WHICH THE EMPLOYER RECEIVED FEDERALLY FUNDED OR STATE FUNDED JOB
17 TRAINING PAYMENTS FOR THAT INDIVIDUAL.

18 (C) THE EMPLOYMENT INCENTIVE PAYMENT SHALL BE CALCULATED ON
19 AN ANNUAL BASIS AS PROVIDED IN CLAUSES (1) AND (2):

20 (1) THE EMPLOYMENT INCENTIVE PAYMENT SHALL BE THE SUM OF
21 THIRTY PER CENT OF THE FIRST NINE THOUSAND DOLLARS (\$9,000) OF
22 QUALIFIED FIRST-YEAR WAGES, TWENTY PER CENT OF THE FIRST NINE
23 THOUSAND DOLLARS (\$9,000) OF QUALIFIED SECOND-YEAR WAGES AND TEN
24 PER CENT OF THE FIRST NINE THOUSAND DOLLARS (\$9,000) OF
25 QUALIFIED THIRD-YEAR WAGES.

26 (2) A TAXPAYER ELIGIBLE TO RECEIVE A CREDIT UNDER CLAUSE (1)
27 SHALL BE ELIGIBLE TO RECEIVE AN ADDITIONAL EMPLOYMENT INCENTIVE
28 PAYMENT AS PROVIDED IN THIS CLAUSE IF:

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

1 (II) THE TAXPAYER PROVIDES OR PAYS FOR TRANSPORTATION
2 SERVICES THAT ENABLE AN ELIGIBLE INDIVIDUAL TO TRAVEL TO AND
3 FROM WORK.

4 THE ADDITIONAL EMPLOYMENT INCENTIVE PAYMENTS UNDER THIS
5 PARAGRAPH SHALL BE THE EXPENSES INCURRED BY THE TAXPAYER FOR
6 SERVICES LISTED IN SUBCLAUSES (I) AND (II), BUT IN NO CASE
7 SHALL THE ADDITIONAL EMPLOYMENT INCENTIVE PAYMENT FOR EACH
8 ELIGIBLE INDIVIDUAL EXCEED EIGHT HUNDRED DOLLARS (\$800)
9 DURING THE FIRST YEAR OF EMPLOYMENT, SIX HUNDRED DOLLARS
10 (\$600) DURING THE SECOND YEAR OF EMPLOYMENT OR FOUR HUNDRED
11 DOLLARS (\$400) DURING THE THIRD YEAR OF EMPLOYMENT.

12 (D) THE EMPLOYMENT INCENTIVE PAYMENT SHALL BE UTILIZED AS A
13 CREDIT AGAINST A QUALIFIED TAX LIABILITY TO WHICH THE TAXPAYER
14 IS SUBJECT. THE EMPLOYMENT INCENTIVE PAYMENT APPLICABLE TO A
15 PASS-THROUGH ENTITY SHALL BE ALLOCATED IN THE SAME MANNER AS
16 INCOME IS ALLOCATED.

17 (E) (1) EXCEPT IN CASES WHERE AN ELIGIBLE INDIVIDUAL
18 VOLUNTARILY LEAVES THE EMPLOYMENT OF THE TAXPAYER, BECOMES
19 DISABLED OR IS TERMINATED FOR CAUSE, NO TAXPAYER SHALL BE
20 ENTITLED TO RECEIVE AN EMPLOYMENT INCENTIVE PAYMENT IF THE
21 ELIGIBLE INDIVIDUAL IS EMPLOYED BY THE TAXPAYER FOR LESS THAN
22 ONE YEAR.

23 (2) IF THE ELIGIBLE INDIVIDUAL LEAVES THE EMPLOYMENT OF THE
24 TAXPAYER VOLUNTARILY, BECOMES DISABLED OR IS TERMINATED FOR
25 CAUSE IN LESS THAN ONE YEAR, THE EMPLOYMENT INCENTIVE PAYMENT
26 SHALL BE REDUCED BY THE PROPORTION OF THE YEAR NOT WORKED.

27 (F) THE TOTAL EMPLOYMENT INCENTIVE PAYMENT CREDIT SHALL NOT
28 EXCEED NINETY PER CENT OF THE TOTAL TAXES PAID BY THE EMPLOYER
29 AGAINST WHICH THE EMPLOYMENT INCENTIVE PAYMENTS MAY BE CLAIMED
30 AS A CREDIT.

1 (G) EMPLOYMENT INCENTIVE PAYMENTS UNUSED AS A TAX CREDIT IN
2 A TAXABLE YEAR MAY BE CARRIED OVER AGAINST A QUALIFIED TAX
3 LIABILITY IN THE TEN IMMEDIATELY SUBSEQUENT TAXABLE YEARS.

4 (H) FOR THE PURPOSES OF COMPUTING A TAX LIABILITY AGAINST
5 WHICH THE EMPLOYMENT INCENTIVE PAYMENTS MAY BE APPLIED,
6 DEDUCTIONS FROM TAXABLE INCOME SHALL BE REDUCED BY THE
7 EMPLOYMENT INCENTIVE PAYMENTS.

8 SECTION 1704-A. ADMINISTRATION AND REGULATIONS.--THE
9 DEPARTMENT, IN COOPERATION WITH THE DEPARTMENT OF PUBLIC WELFARE
10 AND THE DEPARTMENT OF LABOR AND INDUSTRY, SHALL ADMINISTER THE
11 PROVISIONS OF THIS ARTICLE, PROMULGATE APPROPRIATE RULES,
12 REGULATIONS AND FORMS FOR THAT PURPOSE AND MAKE SUCH
13 DETERMINATIONS AS MAY BE REQUIRED. DETERMINATIONS MADE WITH
14 RESPECT TO THE EMPLOYMENT INCENTIVE PAYMENT PROVIDED IN THIS
15 SECTION MAY BE REVIEWED AND APPEALED IN THE MANNER PROVIDED BY
16 LAW FOR OTHER CORPORATE OR PERSONAL TAX CREDITS.

17 SECTION 1705-A. LIMITATION ON CREDITS.--THE TOTAL AMOUNT OF
18 EMPLOYMENT INCENTIVE PAYMENTS AUTHORIZED BY THIS ARTICLE SHALL
19 NOT EXCEED TWENTY-FIVE MILLION DOLLARS (\$25,000,000) IN ANY
20 FISCAL YEAR. TO INSURE THAT CREDITS ARE NOT CLAIMED IN EXCESS OF
21 THIS AMOUNT, A TAXPAYER MAY CLAIM THE INCENTIVE PAYMENTS ONLY
22 UPON PRESENTATION OF AN AUTHORIZING CERTIFICATE. CERTIFICATES
23 WILL BE ISSUED TO THE TAXPAYER BY THE DEPARTMENT OF LABOR AND
24 INDUSTRY UPON PRESENTATION TO THE DEPARTMENT OF LABOR AND
25 INDUSTRY OF EVIDENCE OF A QUALIFYING OFFER OF EMPLOYMENT. IF
26 NECESSARY TO AVOID CERTIFICATE ISSUANCES IN EXCESS OF THE
27 MAXIMUM AUTHORIZED AMOUNT FOR ANY FISCAL YEAR, THE DEPARTMENT
28 SHALL ADVISE THE DEPARTMENT OF LABOR AND INDUSTRY OF THE TOTAL
29 NUMBER OF CERTIFICATES WHICH MAY BE ISSUED IN EACH CALENDAR
30 QUARTER.

1 SECTION 1706-A. TIME LIMITATIONS AND REPORT.--EMPLOYMENT
2 INCENTIVE PAYMENTS SHALL NOT BE AVAILABLE FOR EMPLOYEES HIRED
3 AFTER DECEMBER 31, 2004, UNLESS REENACTED BY THE GENERAL
4 ASSEMBLY. NOT LATER THAN JULY 1, 2004, THE SECRETARY OF PUBLIC
5 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 4. THE AMENDMENT OF SECTION 602(B) OF THE ACT SHALL
13 APPLY TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1998.

14 SECTION 5. IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE
15 ADDITION OF SECTIONS 1702-A THROUGH 1706-A OF THE ACT SHALL BE
16 DEEMED TO BE A CONTINUATION AND EXPANSION OF THE EMPLOYMENT
17 INCENTIVE PAYMENTS PROGRAM AUTHORIZED IN SECTION 491 OF THE ACT
18 OF JUNE 13, 1967 (P.L.31, NO.21), KNOWN AS THE PUBLIC WELFARE
19 CODE. ACCORDINGLY:

20 (1) NOTHING IN THIS ACT SHALL BE CONSTRUED TO PRECLUDE
21 CONSIDERATION OF APPLICATIONS FOR CREDITS FILED UNDER SECTION
22 1701-A OF THE ACT OR SECTION 491 OF THE PUBLIC WELFARE CODE,
23 WHICH APPLICATIONS WERE FILED PRIOR TO OR ON THE EFFECTIVE DATE
24 OF THIS ACT.

25 (2) NOTHING IN THIS ACT SHALL BE CONSTRUED TO PRECLUDE THE
26 UTILIZATION OF CREDITS WHICH WERE APPROVED BUT NOT APPLIED UNDER
27 SECTION 1701-A OF THE ACT OR SECTION 491 OF THE PUBLIC WELFARE
28 CODE AFTER THE EFFECTIVE DATE OF THIS ACT.

29 SECTION 6. SECTION 491 OF THE ACT OF JUNE 13, 1967 (P.L.31,
30 NO.21), KNOWN AS THE PUBLIC WELFARE CODE, IS REPEALED INSOFAR AS

1 IT IS INCONSISTENT WITH THIS ACT.

2 SECTION 7. THIS ACT SHALL TAKE EFFECT JANUARY 1, 2000.