

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 713** Session of
1993

INTRODUCED BY WILLIAMS, JONES, AFFLERBACH, FATTAH, SCANLON,
PECORA, LINCOLN, MUSTO, HART, SCHWARTZ, PUNT AND RHOADES,
MARCH 23, 1993

SENATOR FUMO, APPROPRIATIONS, RE-REPORTED AS AMENDED,
MAY 24, 1993

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," further providing for employment incentive
11 payments.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 1701-A of the act of March 4, 1971
15 (P.L.6, No.2), known as the Tax Reform Code of 1971, amended or
16 added December 19, 1985 (P.L.356, No.102) and July 1, 1989
17 (P.L.109, No.23), is amended to read:

18 Section 1701-A. Employment Incentive Payments.--(a) Any
19 corporation, bank, savings institution, company, insurance
20 company, or mutual thrift institution employing persons, who
21 prior to their employment were recipients of aid to families

1 with dependent children or who are classified as chronically or
2 transitionally needy, pursuant to section 432 of the act of June
3 13, 1967 (P.L.31, No.21), known as the "Public Welfare Code,"
4 shall be entitled to employment incentive payments to be
5 provided as a credit against taxes imposed by Article IV, VII,
6 VIII, IX or XV of this act, and any person, partnership or
7 proprietorship employing such persons shall be entitled to
8 payments to be provided as a credit against taxes imposed by
9 Article III of this act. For the purposes of computing any tax
10 liabilities against which the credit may be applied, deductions
11 from taxable income shall be reduced by employment incentive
12 payments. Employment incentive payments unused as a tax credit
13 in any taxable year may be carried over against tax liabilities
14 of the employer in the three immediately subsequent taxable
15 years.

16 (b) An employment incentive payment may be claimed by an
17 employer who hires any person who is receiving aid to families
18 with dependent children or who is classified as chronically or
19 transitionally needy at the time of employment except that
20 payments shall not be provided for:

21 (1) The employment of any person who displaces any other
22 individual from employment, except persons discharged for cause
23 as certified by the Office of Employment Security.

24 (2) The employment of any person closely related, as defined
25 by paragraphs (1) through (8) of section 152(a) of the Internal
26 Revenue Code, to the taxpayer, or, if the taxpayer is a
27 corporation, to an individual who owns, directly or indirectly
28 more than fifty per cent of the outstanding stock of the
29 corporation, bank, savings institution, company, insurance
30 company, or mutual thrift institution.

1 (3) The employment of an individual for whom the employer is
2 simultaneously receiving federally or State funded job training
3 payments.

4 (4) The employment of an individual as a domestic or other
5 household employe in the home of the employer.

6 (c) (1) The employment incentive payment shall be the sum
7 of thirty per cent of the first six thousand dollars (\$6,000) of
8 qualified first year wages for such year, twenty per cent of the
9 first six thousand dollars (\$6,000) of qualified second year
10 wages for such year and ten per cent of the first six thousand
11 dollars (\$6,000) of the qualified third year wages for such
12 year.

13 [(2) If the employer provides or pays for day care services
14 for the children of the employe, the employer shall be eligible
15 to receive an additional employment incentive payment of up to
16 six hundred dollars (\$600) during the first year of employment,
17 five hundred dollars (\$500) during the second year of employment
18 and four hundred dollars (\$400) during the third year of
19 employment.]

20 (2) If the employer provides or pays for day care services
21 for the children of the employe, the employer shall be eligible
22 to receive an additional incentive payment of up to five hundred
23 dollars (\$500) for the first, second and third year of
24 employment. The actual amount of each year's credit shall be
25 either the employer's actual cost in paying for or providing the
26 day care, or five hundred dollars (\$500), whichever is the lower
27 amount.

28 (3) Total employment incentive payments shall not exceed
29 ninety per cent of total taxes paid by the employer against
30 which the incentive payments may be claimed as a credit.

1 Qualified wages must be cash remuneration to the employee,
2 including any amounts deducted or withheld.

3 (d) To be eligible for employment incentive payments, the
4 employment must continue for at least one year unless the
5 employe voluntarily leaves the employment of the employer,
6 becomes disabled or is terminated for cause. If the employe
7 leaves his position voluntarily, becomes disabled, or is
8 terminated for cause in less than one year, the employment
9 incentive payment shall be reduced by the proportion of the year
10 not worked. Employment initiated during the year may be claimed
11 as an employment incentive payment in the subsequent year.

12 (e) The Department of Revenue, in cooperation with the
13 Department of Public Welfare and the Department of Labor and
14 Industry, shall administer the provisions of this section,
15 promulgate appropriate rules, regulations and forms for that
16 purpose and make such determinations as may be required.
17 Determinations made with respect to the employment incentive
18 payment provided in this section may be reviewed and appealed in
19 the manner provided by law for other corporate or personal tax
20 credits. The Department of Public Welfare shall conduct a
21 program of employer education to inform employers of the
22 benefits available under this section as well as to inform them
23 of any similar tax credits for hiring welfare recipients
24 available under Federal law.

25 (f) The total amount of employment incentive payments
26 authorized by this section shall not exceed twenty-five million
27 dollars (\$25,000,000) in any fiscal year. To insure that credits
28 are not claimed in excess of this amount, an employer may claim
29 the incentive payments only upon presentation of an authorizing
30 certificate. Certificates will be issued to the employer by the

1 Department of Public Welfare upon presentation to the Department
2 of Public Welfare of evidence of a qualifying offer of
3 employment. If necessary to avoid certificate issuances in
4 excess of the maximum authorized amount for any fiscal year, the
5 department shall advise the Department of Public Welfare of the
6 total number of certificates which may be issued in each
7 calendar quarter. The Department of Public Welfare may issue
8 certificates through the Office of Employment Security and may
9 promulgate regulations to allocate certificates.

10 (g) Employment incentive payments shall not be available for
11 employes hired after June 30, [1993] 1997, unless reenacted by
12 the General Assembly. Not later than September 1, ~~{1990+1993}~~, <—
13 and September 1 each year thereafter, the Department of Public
14 Welfare shall report to the General Assembly on the
15 effectiveness of incentive payments to encourage the employment
16 of cash assistance recipients and recommend whether changes are
17 needed in the program and whether the program should be
18 continued. The report shall contain information, including the
19 number of authorizing certificates issued by the Department of
20 Public Welfare, the number of authorizing certificates accepted
21 by the Department of Revenue from employers as evidence of
22 qualified hires, the number and dollar amounts of tax credits
23 approved by the Department of Revenue in each tax year, the
24 average hourly starting wage of employes hired and the category
25 of assistance received previously by employes hired. The report
26 shall also include an analysis of the types of businesses
27 identified as either corporations or individuals or partnerships
28 which have had tax credits approved by the Department of Revenue
29 and the types of employment positions into which employes have
30 been hired as indicated by Standard Occupational Classification

1 Codes. The report shall describe outreach and publicity efforts
2 by the Department of Public Welfare. The report shall contain
3 similar information about the day care tax credit authorized in
4 subsection (c)(2). Credits may be claimed against taxes payable
5 for tax years beginning January 1, ~~{1989}~~1993, and thereafter, <—
6 and may be claimed for employes hired on or after January 1,
7 ~~{1989}~~1993. <—

8 Section 2. This act shall take effect immediately.