

112TH CONGRESS  
1ST SESSION

# H. R. 2742

To amend the Internal Revenue Code of 1986 to provide tax incentives to employers for providing training programs for jobs specific to the needs of the employers.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2011

Ms. FUDGE 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 provide tax incentives to employers for providing training programs for jobs specific to the needs of the employers.

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 “Hire, Train, Retain  
5 Act of 2011”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1           (1) As of June 2011 9.2 percent of all Ameri-  
2           cans eligible to work were unemployed, or 14.1 mil-  
3           lion people.

4           (2) There are millions of workers who were dis-  
5           placed during the recent “Great Recession” who  
6           need to be re-trained so that they can re-integrate  
7           into the workforce. According to the bi-annual Dis-  
8           placed Workers Survey, the unemployment rate was  
9           4.5 percent in 2007 before spiking to nearly 10 per-  
10          cent in 2010.

11          (3) Often overlooked are the 982,000 discour-  
12          aged workers, people who are not looking for work  
13          because they do not believe that they are qualified  
14          for any available jobs.

15          (4) Paradoxically, there are enough jobs avail-  
16          able to employ just over 20 percent of these per-  
17          sons—there were 3.0 million job openings on the  
18          last business day of May 2011 according to the Bu-  
19          reau of Labor Statistics.

20          (5) The disconnect is that many people search-  
21          ing for work lack the job-specific skills that they  
22          need to be competitive for many of these vacancies.  
23          Specifically, technology is outpacing the country’s  
24          current approach to job-related education and train-  
25          ing. The difference between white collar and blue

1 collar jobs is fading because traditionally “blue col-  
2 lar jobs” are more specialized than ever before.

3 **SEC. 3. PAYROLL TAX FORGIVENESS FOR HIRING AND**  
4 **TRAINING WORKERS.**

5 (a) IN GENERAL.—Section 3111 of the Internal Rev-  
6 enue Code of 1986 is amended by adding at the end the  
7 following new subsection:

8 “(e) SPECIAL EXEMPTION FOR CERTAIN INDIVID-  
9 UALS HIRED IN BETWEEN 2011 AND 2015.—

10 “(1) IN GENERAL.—During the period begin-  
11 ning on the day after the date of the enactment of  
12 this subsection and ending on December 31, 2015,  
13 subsection (a) shall not apply to wages paid by a  
14 qualified employer with respect to employment of  
15 any qualified individual for services performed—

16 “(A) in a trade or business of such quali-  
17 fied employer, or

18 “(B) in the case of a qualified employer ex-  
19 empt from tax under section 501(a), in further-  
20 ance of the activities related to the purpose or  
21 function constituting the basis of the employer’s  
22 exemption under section 501.

23 “(2) QUALIFIED EMPLOYER.—For purposes of  
24 this subsection—

1           “(A) IN GENERAL.—The term ‘qualified  
2 employer’ means any employer other than the  
3 United States, any State, or any political sub-  
4 division thereof, or any instrumentality of the  
5 foregoing that provides a qualified job training  
6 program for or on behalf its employees.

7           “(B) TREATMENT OF EMPLOYEES OF  
8 POST-SECONDARY EDUCATIONAL INSTITU-  
9 TIONS.—Notwithstanding subparagraph (A),  
10 the term ‘qualified employer’ includes any em-  
11 ployer which is a public institution of higher  
12 education (as defined in section 101(b) of the  
13 Higher Education Act of 1965).

14           “(3) QUALIFIED INDIVIDUAL.—For purposes of  
15 this subsection, the term ‘qualified individual’ means  
16 any individual who—

17           “(A) begins employment with a qualified  
18 employer after the date of the enactment of this  
19 subsection and before January 1, 2016,

20           “(B) certifies by signed affidavit, under  
21 penalties of perjury, that such individual has  
22 not been employed for more than 40 hours dur-  
23 ing the 60-day period ending on the date such  
24 individual begins such employment,

1           “(C) certifies by signed affidavit, under  
2 penalties of perjury, that such individual has  
3 satisfactorily completed a qualified job training  
4 program,

5           “(D) is not employed by the qualified em-  
6 ployer to replace another employee of such em-  
7 ployer unless such other employee separated  
8 from employment voluntarily or for cause, and

9           “(E) is not an individual described in sec-  
10 tion 51(i)(1) (applied by substituting ‘qualified  
11 employer’ for ‘taxpayer’ each place it appears).

12           “(4) QUALIFIED JOB TRAINING PROGRAM.—For  
13 purposes of this subsection, the term ‘qualified job  
14 training program’ means—

15           “(A) a program provided by a qualified  
16 employer that is in-house and is specific train-  
17 ing for available jobs at such employer, or

18           “(B) a program under which a qualified  
19 employer partners with a public institution of  
20 higher education (as defined in section 101(b)  
21 of the Higher Education Act of 1965) to pro-  
22 vide specific training for available jobs at such  
23 employer.

24           “(5) ELECTION.—A qualified employer may  
25 elect to have this subsection not apply. Such election

1 shall be made in such manner as the Secretary may  
2 require.”.

3 (b) COORDINATION WITH WORK OPPORTUNITY  
4 CREDIT.—Section 51(e) of such Code is amended by add-  
5 ing at the end the following new paragraph:

6 “(6) COORDINATION WITH PAYROLL TAX FOR-  
7 GIVENESS FOR HIRING AND TRAINING WORKERS.—  
8 The term ‘wages’ shall not include any amount paid  
9 or incurred to a qualified individual (as defined in  
10 section 3111(e)(3)) during the 1-year period begin-  
11 ning on the hiring date of such individual by a quali-  
12 fied employer (as defined in section 3111(e)) unless  
13 such qualified employer makes an election not to  
14 have section 3111(e) apply.”.

15 (c) TRANSFERS TO FEDERAL OLD-AGE AND SUR-  
16 VIVORS INSURANCE TRUST FUND.—There are hereby ap-  
17 propriated to the Federal Old-Age and Survivors Trust  
18 Fund and the Federal Disability Insurance Trust Fund  
19 established under section 201 of the Social Security Act  
20 (42 U.S.C. 401) amounts equal to the reduction in reve-  
21 nues to the Treasury by reason of the amendments made  
22 by subsection (a). Amounts appropriated by the preceding  
23 sentence shall be transferred from the general fund at  
24 such times and in such manner as to replicate to the ex-

1 tent possible the transfers that would have occurred to  
2 such Trust Fund had such amendments not been enacted.

3 (d) APPLICATION TO RAILROAD RETIREMENT  
4 TAXES.—

5 (1) IN GENERAL.—Section 3221 of the Internal  
6 Revenue Code of 1986 is amended by redesignating  
7 subsection (d) as subsection (e) and by inserting  
8 after subsection (e) the following new subsection:

9 “(d) SPECIAL RATE FOR CERTAIN INDIVIDUALS  
10 HIRED IN BETWEEN 2011 AND 2015.—

11 “(1) IN GENERAL.—In the case of compensa-  
12 tion paid by a qualified employer during the period  
13 beginning on the day after the date of the enactment  
14 of this subsection and ending on December 31,  
15 2015, with respect to having a qualified individual in  
16 the employer’s employ for services rendered to such  
17 qualified employer, the applicable percentage under  
18 subsection (a) shall be equal to the rate of tax in ef-  
19 fect under section 3111(b) for the calendar year.

20 “(2) QUALIFIED EMPLOYER.—For purposes of  
21 this subsection, the term ‘qualified employer’ means  
22 any employer other than the United States, any  
23 State, or any political subdivision thereof, or any in-  
24 strumentality of the foregoing that provides a quali-

1       fied job training program for or on behalf its em-  
2       ployees.

3               “(3) QUALIFIED INDIVIDUAL.—For purposes of  
4       this subsection, the term ‘qualified individual’ means  
5       any individual who—

6               “(A) begins employment with a qualified  
7       employer after the date of the enactment of this  
8       subsection and before January 1, 2016,

9               “(B) certifies by signed affidavit, under  
10       penalties of perjury, that such individual has  
11       not been employed for more than 40 hours dur-  
12       ing the 60-day period ending on the date such  
13       individual begins such employment,

14              “(C) certifies by signed affidavit, under  
15       penalties of perjury, that such individual has  
16       satisfactorily completed a qualified job training  
17       program,

18              “(D) is not employed by the qualified em-  
19       ployer to replace another employee of such em-  
20       ployer unless such other employee separated  
21       from employment voluntarily or for cause, and

22              “(E) is not an individual described in sec-  
23       tion 51(i)(1) (applied by substituting ‘qualified  
24       employer’ for ‘taxpayer’ each place it appears).

1           “(4) QUALIFIED JOB TRAINING PROGRAM.—For  
2 purposes of this subsection, the term ‘qualified job  
3 training program’ means—

4           “(A) a program provided by a qualified  
5 employer that is in-house and is specific train-  
6 ing for available jobs at such employer, or

7           “(B) a program under which a qualified  
8 employer partners with a public institution of  
9 higher education (as defined in section 101(b)  
10 of the Higher Education Act of 1965) to pro-  
11 vide specific training for available jobs at such  
12 employer.

13           “(5) ELECTION.—A qualified employer may  
14 elect to have this subsection not apply. Such election  
15 shall be made in such manner as the Secretary may  
16 require.”.

17           (2) TRANSFERS TO SOCIAL SECURITY EQUIVA-  
18 LENT BENEFIT ACCOUNT.—There are hereby appro-  
19 priated to the Social Security Equivalent Benefit Ac-  
20 count established under section 15A(a) of the Rail-  
21 road Retirement Act of 1974 (45 U.S.C. 231n–1(a))  
22 amounts equal to the reduction in revenues to the  
23 Treasury by reason of the amendments made by  
24 paragraph (1). Amounts appropriated by the pre-  
25 ceding sentence shall be transferred from the general

1 fund at such times and in such manner as to rep-  
2 licate to the extent possible the transfers which  
3 would have occurred to such Account had such  
4 amendments not been enacted.

5 (e) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-  
7 graph (2), the amendments made by this subsection  
8 shall apply to wages paid after the date of the enact-  
9 ment of this Act.

10 (2) RAILROAD RETIREMENT TAXES.—The  
11 amendments made by subsection (d) shall apply to  
12 compensation paid after the date of the enactment  
13 of this Act.

14 **SEC. 4. BUSINESS CREDIT FOR RETENTION OF CERTAIN**  
15 **NEWLY HIRED INDIVIDUALS IN 2011.**

16 (a) IN GENERAL.—In the case of any taxable year  
17 ending after the date of the enactment of this Act, the  
18 current year business credit determined under section  
19 38(b) of the Internal Revenue Code of 1986 for such tax-  
20 able year shall be increased, with respect to each retained  
21 worker with respect to which subsection (b)(2) is first sat-  
22 isfied during such taxable year, by the lesser of—

23 (1) \$1,000, or

24 (2) 6.2 percent of the wages (as defined in sec-  
25 tion 3401(a) of such Code) paid by the taxpayer to

1 such retained worker during the 52 consecutive week  
2 period referred to in subsection (b)(2).

3 (b) RETAINED WORKER.—For purposes of this sec-  
4 tion, the term “retained worker” means any qualified indi-  
5 vidual (as defined in section 3111(e)(3) or section  
6 3221(d)(3) of the Internal Revenue Code of 1986)—

7 (1) who was employed by the taxpayer on any  
8 date during the taxable year,

9 (2) who was so employed by the taxpayer for a  
10 period of not less than 52 consecutive weeks, and

11 (3) whose wages (as defined in section 3401(a))  
12 for such employment during the last 26 weeks of  
13 such period equaled at least 80 percent of such  
14 wages for the first 26 weeks of such period.

15 (c) EMPLOYER STAFFING AND PAYROLL MUST IN-  
16 CREASE.—No amount shall be allowed as a credit under  
17 this section to an employer for a taxable year unless the  
18 employer has a net increase for the taxable year in those  
19 who work at least 20 hours per week for the employer  
20 during the taxable year and the amount of its payroll dur-  
21 ing the taxable year.

22 (d) LIMITATION ON CARRYBACKS.—No portion of the  
23 unused business credit under section 38 of the Internal  
24 Revenue Code of 1986 for any taxable year which is attrib-  
25 utable to the increase in the current year business credit

1 under this section may be carried to a taxable year begin-  
2 ning before the date of the enactment of this section.

3 (e) TREATMENT OF POSSESSIONS.—

4 (1) PAYMENTS TO POSSESSIONS.—

5 (A) MIRROR CODE POSSESSIONS.—The  
6 Secretary of the Treasury shall pay to each pos-  
7 session of the United States with a mirror code  
8 tax system amounts equal to the loss to that  
9 possession by reason of the application of this  
10 section (other than this subsection). Such  
11 amounts shall be determined by the Secretary  
12 of the Treasury based on information provided  
13 by the government of the respective possession.

14 (B) OTHER POSSESSIONS.—The Secretary  
15 of the Treasury shall pay to each possession of  
16 the United States which does not have a mirror  
17 code tax system amounts estimated by the Sec-  
18 retary of the Treasury as being equal to the ag-  
19 gregate benefits that would have been provided  
20 to residents of such possession by reason of the  
21 application of this section (other than this sub-  
22 section) if a mirror code tax system had been  
23 in effect in such possession. The preceding sen-  
24 tence shall not apply with respect to any posses-  
25 sion of the United States unless such possession

1 has a plan, which has been approved by the  
2 Secretary of the Treasury, under which such  
3 possession will promptly distribute such pay-  
4 ments to the residents of such possession.

5 (2) COORDINATION WITH CREDIT ALLOWED  
6 AGAINST UNITED STATES INCOME TAXES.—No in-  
7 crease in the credit determined under section 38(b)  
8 of the Internal Revenue Code of 1986 against  
9 United States income taxes for any taxable year de-  
10 termined under subsection (a) shall be taken into ac-  
11 count with respect to any person—

12 (A) to whom a credit is allowed against  
13 taxes imposed by the possession by reason of  
14 this section for such taxable year, or

15 (B) who is eligible for a payment under a  
16 plan described in paragraph (1)(B) with respect  
17 to such taxable year.

18 (3) DEFINITIONS AND SPECIAL RULES.—

19 (A) POSSESSION OF THE UNITED  
20 STATES.—For purposes of this subsection, the  
21 term “possession of the United States” includes  
22 the Commonwealth of Puerto Rico and the  
23 Commonwealth of the Northern Mariana Is-  
24 lands.

1 (B) MIRROR CODE TAX SYSTEM.—For pur-  
2 poses of this subsection, the term “mirror code  
3 tax system” means, with respect to any posses-  
4 sion of the United States, the income tax sys-  
5 tem of such possession if the income tax liabil-  
6 ity of the residents of such possession under  
7 such system is determined by reference to the  
8 income tax laws of the United States as if such  
9 possession were the United States.

10 (C) TREATMENT OF PAYMENTS.—For pur-  
11 poses of section 1324(b)(2) of title 31, United  
12 States Code, rules similar to the rules of section  
13 1001(b)(3)(C) of the American Recovery and  
14 Reinvestment Tax Act of 2009 shall apply.

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