

104TH CONGRESS
1ST SESSION

S. 409

To amend the Internal Revenue Code of 1986 to allow defense contractors a credit against income tax for 20 percent of the defense conversion employee retraining expenses paid or incurred by the contractors.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 14 (legislative day, JANUARY 30), 1995

Ms. SNOWE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow defense contractors a credit against income tax for 20 percent of the defense conversion employee retraining expenses paid or incurred by the contractors.

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. DEFENSE CONVERSION EMPLOYEE RETRAIN-**
4 **ING CREDIT.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to business-related credits) is amended by
8 adding at the end the following new section:

1 **“SEC. 45C. DEFENSE CONVERSION EMPLOYEE RETRAINING**
2 **EXPENSES.**

3 “(a) GENERAL RULE.—For purposes of section 38,
4 in the case of a defense contractor, the defense conversion
5 employee retraining credit determined under this section
6 is an amount equal to 20 percent of the defense conversion
7 employee retraining expenses paid or incurred by the tax-
8 payer during the taxable year.

9 “(b) LIMITATION.—The amount of defense conver-
10 sion employee retraining expenses with respect to an em-
11 ployee which may be taken into account under subsection
12 (a) for the taxable year shall not exceed \$____.

13 “(c) DEFENSE CONVERSION EMPLOYEE RETRAINING
14 EXPENSES.—For purposes of this section—

15 “(1) IN GENERAL.—The term ‘defense conver-
16 sion employee retraining expenses’ includes all
17 amounts paid or incurred with respect to educational
18 or training programs in which a qualified conversion
19 employee participates to learn or improve skills nec-
20 essary or useful to such employee’s employment in
21 the defense contractor’s nondefense-related business.

22 “(2) DEFENSE CONTRACTOR.—The term ‘de-
23 fense contractor’ means any taxpayer if not less
24 than 80 percent of its gross receipts for the taxable
25 year is derived from defense-related business.

1 “(3) QUALIFIED CONVERSION EMPLOYEE.—The
2 term ‘qualified conversion employee’ means an em-
3 ployee of a defense contractor who had been em-
4 ployed by the defense contractor or another defense
5 contractor in a defense-related business and who is
6 employed by the defense contractor in a nondefense-
7 related business during the taxable year.

8 “(4) DEFENSE-RELATED BUSINESS.—The term
9 ‘defense-related business’ means an activity to pro-
10 vide material or defense-related operations pursuant
11 to a contract or subcontract entered into (whether or
12 not by the taxpayer) with a defense agency of the
13 United States.

14 “(5) NONDEFENSE-RELATED BUSINESS.—The
15 term ‘nondefense-related business’ means any activ-
16 ity which is not a defense-related business.

17 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction
18 shall be allowed under this chapter for any amount taken
19 into account in determining the credit under this section.”

20 (b) CREDIT TO BE PART OF GENERAL BUSINESS
21 CREDIT.—Subsection (b) of section 38 of the Internal
22 Revenue Code of 1986 (relating to general business credit)
23 is amended by striking “plus” at the end of paragraph
24 (10), by striking the period at the end of paragraph (11)

1 and inserting “, plus”, and by adding at the end the fol-
2 lowing new paragraph:

3 “(12) in the case of a defense contractor, the
4 defense conversion employee retraining credit deter-
5 mined under section 45C.”

6 (c) CLERICAL AMENDMENT.—The table of sections
7 for subpart D of part IV of subchapter A of chapter 1
8 of the Internal Revenue Code of 1986 is amended by add-
9 ing at the end the following new item:

“Sec. 45C. Defense conversion employee retraining expenses.”

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to amounts paid or incurred after
12 the date of the enactment of this Act in taxable years end-
13 ing after such date.

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