

118TH CONGRESS  
1ST SESSION

# H. R. 1656

To amend the Internal Revenue Code of 1986 to allow a credit against tax for charitable donations to nonprofit organizations providing workforce training.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 2023

Mr. SMUCKER 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 allow a credit against tax for charitable donations to nonprofit organizations providing workforce training.

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 “USA Workforce Tax  
5 Credit Act”.

6 **SEC. 2. TAX CREDIT FOR CONTRIBUTIONS TO WORKFORCE**

7 **DEVELOPMENT AND APPRENTICESHIP**

8 **TRAINING ORGANIZATIONS.**

9 (a) CREDIT FOR INDIVIDUALS.—

1           (1) IN GENERAL.—Subpart A of part IV of sub-  
2           chapter A of chapter 1 of the Internal Revenue Code  
3           of 1986 is amended by inserting after section 25E  
4           the following new section:

5   **“SEC. 25F. QUALIFIED WORKFORCE DEVELOPMENT AND**  
6                           **APPRENTICESHIP TRAINING PROGRAMS.**

7           “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
8           dividual, there shall be allowed as a credit against the tax  
9           imposed by this chapter for the taxable year an amount  
10          equal to the amount of qualified contributions made by  
11          the taxpayer during the year.

12          “(b) DOLLAR LIMITATIONS.—

13                  “(1) INCOME LIMITATION.—The amount al-  
14          lowed as a credit under subsection (a) with respect  
15          to any taxpayer shall not exceed 25 percent of the  
16          tax liability of the taxpayer with a maximum value  
17          of \$250,000.

18                  “(2) REDUCTION BASED ON STATE CREDIT.—  
19          The amount allowed as a credit under subsection (a)  
20          for a taxable year shall be reduced by the amount  
21          allowed as a credit on any State tax return of the  
22          individual for qualified contributions made by the  
23          taxpayer during the taxable year.

24          “(c) QUALIFIED CONTRIBUTIONS; OTHER DEFINI-  
25          TIONS.—For purposes of this section—

1           “(1) QUALIFIED CONTRIBUTION.—The term  
2           ‘qualified contribution’ means a charitable contribu-  
3           tion (as defined by section 170(c)) to a workforce  
4           development or apprenticeship training organization.

5           “(2) WORKFORCE DEVELOPMENT OR APPREN-  
6           TICESHIP TRAINING ORGANIZATION.—The term  
7           ‘workforce development or apprenticeship training  
8           organization’ means any organization—

9                   “(A) which—

10                           “(i) is described in section 501(c)(3)  
11                           and exempt from tax under section 501(a),  
12                           and

13                           “(ii) is not a private foundation,

14                   “(B) the exclusive purpose if which is—

15                           “(i) to provide workforce development  
16                           and apprenticeship training to eligible par-  
17                           ticipants, including—

18                                   “(I) community colleges,

19                                   “(II) workforce training pro-  
20                                   grams, as defined by State workforce  
21                                   agencies,

22                                   “(III) organizations that provide  
23                                   career and technical education,

24                                   “(IV) organizations that provide  
25                                   training or apprenticeships operated

1 by a collective bargaining organiza-  
2 tion,

3 “(V) community organizations  
4 that provide full certified training,  
5 and

6 “(VI) private schools that confer  
7 diplomas, degrees, or certify comple-  
8 tion of certain grades, or

9 “(ii) to provide scholarships for use in  
10 obtaining workforce development and ap-  
11 prenticeship training described in clause (i)  
12 at an organization which is exempt from  
13 tax under section 501(a) (other than a pri-  
14 vate foundation), and

15 “(C) that is in compliance with all applica-  
16 ble State laws, including laws relating to unlaw-  
17 ful discrimination, health and safety require-  
18 ments, and criminal background checks of em-  
19 ployees.

20 “(3) ELIGIBLE PARTICIPANTS.—The term ‘eli-  
21 gible participant’ means an individual who is en-  
22 rolled in a workforce development and apprentice-  
23 ship training organization, as described in paragraph  
24 (2)(B).

1       “(d) DENIAL OF DOUBLE BENEFIT.—No deduction  
2 shall be allowed under any provision of this chapter for  
3 any expense for which a credit is allowed under this sec-  
4 tion.

5       “(e) ELECTION.—This section shall apply to a tax-  
6 payer for a taxable year only if such taxpayer elects to  
7 have this section apply for such taxable year.

8       “(f) APPLICATION OF VOLUME CAP.—A contribution  
9 shall be taken into account under this section only if such  
10 contribution is recognized by the Secretary as applying  
11 against the volume cap established under section 4 of the  
12 USA Workforce Tax Credit Act.”.

13               (2) CLERICAL AMENDMENT.—The table of sec-  
14 tions for subpart A of part IV of subchapter A of  
15 chapter 1 of such Code is amended by inserting  
16 after the item relating to section 25E the following  
17 new item:

“Sec. 25F. Qualified Workforce Development and Apprenticeship Training Pro-  
grams.”.

18       (b) BUSINESS CREDIT.—

19               (1) IN GENERAL.—Subpart D of part IV of  
20 subchapter A of chapter 1 of such Code is amended  
21 by adding at the end the following new section:

1 **“SEC. 45BB. CONTRIBUTIONS TO WORKFORCE DEVELOP-**  
2 **MENT OR APPRENTICESHIP TRAINING ORGA-**  
3 **NIZATIONS.**

4 “(a) GENERAL RULE.—For purposes of section 38,  
5 in the case of a corporation, the workforce development  
6 and apprenticeship training credit determined under this  
7 section for the taxable year is the aggregate amount of  
8 qualified contributions for the taxable year.

9 “(b) LIMITATION.—

10 “(1) INCOME LIMITATION.—The amount of the  
11 credit determined under this section for any taxable  
12 year shall not exceed the lesser of—

13 “(A) 25 percent of the tax liability of the  
14 taxpayer for the taxable year, and

15 “(B) \$250,000.

16 “(2) REDUCTION BASED ON STATE CREDIT.—  
17 The amount allowed as a credit under subsection (a)  
18 for a taxable year shall be reduced by the amount  
19 allowed as a credit on any State tax return of the  
20 individual for qualified contributions made by the  
21 taxpayer during the taxable year.

22 “(3) QUALIFIED CONTRIBUTIONS.—For pur-  
23 poses of this section, the term ‘qualified contribu-  
24 tion’ has the meaning given such term under section  
25 25F.

1       “(c) DENIAL OF DOUBLE BENEFIT.—No deduction  
2 shall be allowed under any provision of this chapter for  
3 any expense for which a credit is allowed under this sec-  
4 tion.

5       “(d) ELECTION.—This section shall apply to a tax-  
6 payer for a taxable year only if such taxpayer elects to  
7 have this section apply for such taxable year.

8       “(e) APPLICATION OF VOLUME CAP.—A contribution  
9 shall be taken into account under this section only if such  
10 contribution is recognized by the Secretary as applying  
11 against the volume cap established under section 4 of the  
12 USA Workforce Tax Credit Act.”.

13           (2) CONFORMING AMENDMENTS.—Section  
14 38(b) of such Code is amended by striking “plus” at  
15 the end of paragraph (40), by striking the period  
16 and inserting “, plus” at the end of paragraph (41),  
17 and by adding at the end the following new para-  
18 graph:

19           “(42) the workforce development or apprentice-  
20 ship training credit determined under section  
21 45BB(a).”.

22           (3) CLERICAL AMENDMENT.—The table of sec-  
23 tions for subpart D of part IV of subchapter A of  
24 chapter 1 of such Code is amended by adding at the  
25 end the following new item:

“Sec. 45BB. Contributions to workforce development or apprenticeship training organizations.”.

1 (c) EXCISE TAX ON FAILURE OF SCHOLARSHIP  
2 GRANTING ORGANIZATIONS TO MAKE DISTRIBUTIONS.—

3 (1) IN GENERAL.—Chapter 42 of such Code is  
4 amended by adding at the end the following new  
5 subchapter:

6 **“Subchapter I—Organizations Providing**  
7 **Workforce Development or Apprentice-**  
8 **ship Training**

“Sec. 4969. Tax on failure to distribute receipts.

9 **“SEC. 4969. TAX ON FAILURE TO DISTRIBUTE RECEIPTS.**

10 “(a) TAX IMPOSED.—There is hereby imposed a tax  
11 on the failure of a workforce development or apprentice-  
12 ship training organization (as defined in section 25F(c))  
13 to make distributions in any taxable year in an amount  
14 equal to or in excess of the required distribution amount  
15 before the distribution deadline relating to a taxable year.

16 “(b) AMOUNT OF TAX.—The tax imposed by sub-  
17 section (a) with respect to a taxable year shall be equal  
18 to 15 percent of the excess (if any) of—

19 “(1) the required distribution amount with re-  
20 spect to the taxable year, over

21 “(2) the amount of receipts of the workforce de-  
22 velopment or apprenticeship training organization  
23 for each taxable year which are distributed before



1 the distribution deadline with respect to such re-  
2 cepts.

3 “(c) DEFINITIONS.—For purposes of this section—

4 “(1) REQUIRED DISTRIBUTION AMOUNT.—

5 “(A) IN GENERAL.—The required distribu-  
6 tion amount with respect to a taxable year is  
7 the amount equal to 100 percent of the total re-  
8 cepts of the workforce development or appren-  
9 ticeship training organization for such taxable  
10 year—

11 “(i) reduced by the sum of such re-  
12 cepts that are retained for administrative  
13 expenses for the taxable year or are carried  
14 to the succeeding taxable year under sub-  
15 paragraph (C), and

16 “(ii) increased by the amount of the  
17 carryover under subparagraph (C) from  
18 the preceding taxable year.

19 “(B) ADMINISTRATIVE EXPENSES.—For  
20 purposes of this paragraph, not more than 10  
21 percent of total receipts of a qualified workforce  
22 development or apprenticeship training organi-  
23 zation for a taxable year may be used for ad-  
24 ministrative purposes.

1           “(C) CARRYOVER.—Receipts of a qualified  
2 workforce development or apprenticeship train-  
3 ing organization that are not disbursed for the  
4 taxable year or retained for administrative pur-  
5 poses for the taxable year shall be carried to  
6 the succeeding taxable year. The amount car-  
7 ried to the taxable year under the preceding  
8 sentence shall not exceed 15 percent of total re-  
9 ceipts of the qualified workforce development or  
10 apprenticeship training organization for the  
11 taxable year.

12           “(2) DISTRIBUTIONS.—The term ‘distribution’  
13 includes amounts which are formally committed but  
14 not distributed. A formal commitment described in  
15 the preceding sentence may include contributions set  
16 aside for eligible students or participants for more  
17 than one year.

18           “(3) DISTRIBUTION DEADLINE.—The distribu-  
19 tion deadline with respect to receipts for a taxable  
20 year is the first day of the second taxable year fol-  
21 lowing the taxable year in which such receipts are  
22 received by the scholarship granting organization.

23           “(d) REASONABLE CAUSE EXCEPTION.—The tax im-  
24 posed by subsection (a) shall not apply with respect to any  
25 failure to make required distributions before the distribu-

1 tion deadline which is not willful and is due to reasonable  
2 cause.”.

3 (2) ABATEMENT OF TAX.—

4 (A) GENERAL RULE.—Subsection (b) of  
5 section 4962 of such Code is amended by strik-  
6 ing “or G” and inserting “G, or I”.

7 (B) FIRST TIER TAX.—Subsection (a) of  
8 section 4963 of such Code is amended by in-  
9 serting “4969,” after “4967,”.

10 (C) TAXABLE EVENT.—Subsection (c) of  
11 section 4963 of such Code is amended by in-  
12 serting “4969,” after “4967,”.

13 (3) CORRECTION PERIOD.—Subparagraph (A)  
14 of section 4963(e)(2) of such Code is amended by in-  
15 serting “or 4969” after “4942”.

16 (4) CLERICAL AMENDMENT.—The table of sub-  
17 chapters for chapter 42 of such Code is amended by  
18 adding at the end the following new item:

“SUBCHAPTER I. ORGANIZATIONS PROVIDING WORKFORCE DEVELOPMENT,  
APPRENTICESHIP TRAINING, OR SCHOLARSHIPS”.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this Act shall apply to taxable years beginning after De-  
21 cember 31, 2023.

22 **SEC. 3. ORGANIZATIONAL AUTONOMY.**

23 A participating eligible organization or entity under  
24 the programs established pursuant to this Act are autono-

1 mous and not agents of the State or Federal Government  
2 and therefore—

3 (1) a Federal or State agency may not in any  
4 way regulate the program of a participating entity  
5 that accepts a contribution under this Act;

6 (2) the provision of tax credits under this Act  
7 does not expand the regulatory authority of the Fed-  
8 eral Government, the State, its officers, or any  
9 school district to impose any additional regulation of  
10 an entity beyond those necessary to enforce the re-  
11 quirements of this Act; and

12 (3) participating eligible entities shall be given  
13 the maximum freedom to provide for the needs of  
14 their participants without government control.

15 **SEC. 4. VOLUME CAP.**

16 (a) AMOUNT.—The volume cap amount available for  
17 tax credits allowed under sections 25F and 45BB of the  
18 Internal Revenue Code of 1986, as added by this Act, shall  
19 be \$2,000,000,000 annually, beginning for taxable years  
20 beginning in 2024 and for each succeeding calendar year  
21 thereafter.

22 (b) APPLICATION FOR CREDITS.—The Secretary  
23 shall develop a system to track and make available infor-  
24 mation in real time, regarding availability of such tax

- 1 credits to donors which will be available on a first-come,
- 2 first-serve basis.

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