

112TH CONGRESS  
1ST SESSION

# S. 1785

To amend the Internal Revenue Code of 1986 to provide work opportunity tax credits for the hiring of long-term unemployed workers.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 2, 2011

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

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## A BILL

To amend the Internal Revenue Code of 1986 to provide work opportunity tax credits for the hiring of long-term unemployed workers.

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 “Back to Work Tax  
5 Credit”.

6 **SEC. 2. LONG-TERM UNEMPLOYED WORKERS WORK OP-**  
7 **PORTUNITY TAX CREDITS.**

8 (a) IN GENERAL.—Paragraph (3) of section 51(b) of  
9 the Internal Revenue Code of 1986 is amended by insert-  
10 ing “\$10,000 per year in the case of any individual who

1 is a qualified long term unemployed individual by reason  
 2 of subsection (d)(11), and” before “\$12,000 per year”.

3 (b) LONG-TERM UNEMPLOYED INDIVIDUALS.—

4 (1) IN GENERAL.—Paragraph (1) of section  
 5 51(d) of the Internal Revenue Code of 1986 is  
 6 amended by striking “or” at the end of subpara-  
 7 graph (H), by striking the period at the end of sub-  
 8 paragraph (I) and inserting “, or”, and by adding  
 9 at the end the following new subparagraph:

10 “(J) a qualified long-term unemployed in-  
 11 dividual.”.

12 (2) DEFINITION.—Subsection (d) of section 51  
 13 of such Code is amended by redesignating para-  
 14 graphs (11) through (14) as paragraphs (12)  
 15 through (15), respectively, and by inserting after  
 16 paragraph (10) the following new paragraph:

17 “(11) QUALIFIED LONG-TERM UNEMPLOYED  
 18 INDIVIDUAL.—

19 “(A) IN GENERAL.—The term ‘qualified  
 20 long-term unemployed individual’ means any in-  
 21 dividual who was not a student for at least 6  
 22 months during the 1-year period ending on the  
 23 hiring date and is certified by the designated  
 24 local agency as having aggregate periods of un-

1 employment during the 1-year period ending on  
2 the hiring date which equal or exceed 6 months.

3 “(B) STUDENT.—For purposes of this  
4 paragraph, a student is an individual enrolled  
5 at least half-time in a program that leads to a  
6 degree, certificate, or other recognized edu-  
7 cational credential for at least 6 months wheth-  
8 er or not consecutive during the 1-year period  
9 ending on the hiring date.”.

10 (c) SIMPLIFIED CERTIFICATION.—Section 51(d) of  
11 the Internal Revenue Code of 1986, as amended by sub-  
12 section (b)(2), is amended by adding at the end the fol-  
13 lowing new paragraph:

14 “(16) SIMPLIFIED CERTIFICATION FOR QUALI-  
15 FIED LONG-TERM UNEMPLOYED INDIVIDUALS.—

16 “(A) IN GENERAL.—Any individual under  
17 paragraph (11) will be treated as certified by  
18 the designated local agency as having aggregate  
19 periods of unemployment described in such  
20 paragraph if the individual is certified by the  
21 designated local agency as being in receipt of  
22 unemployment compensation under State or  
23 Federal law for not less than 6 months during  
24 the 1-year period ending on the hiring date.

1           “(B) REGULATORY AUTHORITY.—The Sec-  
2           retary in the Secretary’s discretion may provide  
3           alternative methods for certification under  
4           paragraph (11).”.

5           (d) CREDIT MADE AVAILABLE TO TAX-EXEMPT EM-  
6           PLOYERS IN CERTAIN CIRCUMSTANCES.—Section 52(c) of  
7           the Internal Revenue Code of 1986 is amended—

8           (1) by striking “No credit” and inserting:

9           “(1) IN GENERAL.—Except as provided in para-  
10          graph (2), no”, and

11          (2) by adding at the end the following new  
12          paragraph:

13          “(2) EXCEPTION.—

14                 “(A) IN GENERAL.—In the case of any  
15                 tax-exempt employer, there shall be treated as  
16                 a credit allowable under subpart C (and not al-  
17                 lowable under subpart D) the lesser of—

18                         “(i) the amount of the work oppor-  
19                         tunity credit determined under this sub-  
20                         part with respect to such employer that is  
21                         related to the hiring of qualified long-term  
22                         unemployed individuals described in section  
23                         51(d)(11), or

1           “(ii) the amount of the payroll taxes  
2           of the employer during the calendar year  
3           in which the taxable year begins.

4           “(B) CREDIT AMOUNT.—In the case of any  
5           tax-exempt employer, the work opportunity  
6           credit under subparagraph (A) shall be deter-  
7           mined by substituting ‘26 percent’ for ‘40 per-  
8           cent’ in subsections (a) and (i)(3)(A) of section  
9           51 and by substituting ‘16.25 percent’ for ‘25  
10          percent’ in section 51(i)(3)(A).

11          “(C) TAX-EXEMPT EMPLOYER.—For pur-  
12          poses of this paragraph, the term ‘tax-exempt  
13          employer’ means an employer which is—

14               “(i) an organization described in sec-  
15               tion 501(c) and exempt from taxation  
16               under section 501(a), or

17               “(ii) a public higher education institu-  
18               tion (as defined in section 101 of the  
19               Higher Education Act of 1965).

20          “(D) PAYROLL TAXES.—For purposes of  
21          this paragraph, the term ‘payroll taxes’  
22          means—

23               “(i) amounts required to be withheld  
24               from the employees of the tax-exempt em-  
25               ployer under section 3402(a),

1                   “(ii) amounts required to be withheld  
2                   from such employees under section 3101,  
3                   and

4                   “(iii) amounts of the taxes imposed on  
5                   the tax-exempt employer under section  
6                   3111.”.

7                   (e) TREATMENT OF POSSESSIONS.—

8                   (1) PAYMENTS TO POSSESSIONS.—

9                   (A) MIRROR CODE POSSESSIONS.—The  
10                  Secretary of the Treasury shall pay to each pos-  
11                  session of the United States with a mirror code  
12                  tax system amounts equal to the loss to that  
13                  possession by reason of the application of the  
14                  amendments made by this section (other than  
15                  this subsection). Such amounts shall be deter-  
16                  mined by the Secretary of the Treasury based  
17                  on information provided by the government of  
18                  the respective possession of the United States.

19                  (B) OTHER POSSESSIONS.—The Secretary  
20                  of the Treasury shall pay to each possession of  
21                  the United States, which does not have a mirror  
22                  code tax system, amounts estimated by the Sec-  
23                  retary of the Treasury as being equal to the ag-  
24                  gregate credits that would have been provided  
25                  by the possession by reason of the application

1 of the amendments made by this section (other  
2 than this subsection) if a mirror code tax sys-  
3 tem had been in effect in such possession. The  
4 preceding sentence shall not apply with respect  
5 to any possession of the United States unless  
6 such possession has a plan, which has been ap-  
7 proved by the Secretary of the Treasury, under  
8 which such possession will promptly distribute  
9 such payments.

10 (2) COORDINATION WITH CREDIT ALLOWED  
11 AGAINST UNITED STATES INCOME TAXES.—No in-  
12 crease in the credit determined under section 38(b)  
13 of the Internal Revenue Code of 1986 that is attrib-  
14 utable to the credit provided by the amendments  
15 made by this section (other than this subsection)  
16 shall be taken into account with respect to any per-  
17 son—

18 (A) to whom a credit is allowed against  
19 taxes imposed by the possession of the United  
20 States by reason of the amendments made by  
21 this section for such taxable year, or

22 (B) who is eligible for a payment under a  
23 plan described in paragraph (1)(B) with respect  
24 to such taxable year.

25 (3) DEFINITIONS AND SPECIAL RULES.—

1 (A) POSSESSION OF THE UNITED  
2 STATES.—For purposes of this subsection, the  
3 term “possession of the United States” includes  
4 American Samoa, the Commonwealth of the  
5 Northern Mariana Islands, the Commonwealth  
6 of Puerto Rico, Guam, and the United States  
7 Virgin Islands.

8 (B) MIRROR CODE TAX SYSTEM.—For pur-  
9 poses of this subsection, the term “mirror code  
10 tax system” means, with respect to any posses-  
11 sion of the United States, the income tax sys-  
12 tem of such possession if the income tax liabil-  
13 ity of the residents of such possession under  
14 such system is determined by reference to the  
15 income tax laws of the United States as if such  
16 possession were the United States.

17 (C) TREATMENT OF PAYMENTS.—For pur-  
18 poses of section 1324(b)(2) of title 31, United  
19 States Code, rules similar to the rules of section  
20 1001(b)(3)(C) of the American Recovery and  
21 Reinvestment Tax Act of 2009 shall apply.

22 (f) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to individuals who begin work for  
24 the employer after the date of the enactment of this Act.

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