I. Introduction

Since the end of 2017, 29 temporary tax provisions have expired, with more than a dozen other temporary provisions set to expire at the end of this year. As part of the Finance Committee’s efforts to address those provisions that have already expired and those set to expire at the end of this year, the Committee formed bipartisan taskforces to examine this group of over 40 temporary tax provisions and identify options for long-term resolution of these temporary tax policies.

The Employment and Community Development Taskforce was charged with examining the temporary tax policies designed to encourage increased participation in the workforce and to expand economic opportunity in low-income communities that expire between December 31, 2017 and December 31, 2019. The list of these provisions is set out below, and additional background on each was provided in the pamphlet prepared by the Joint Committee on Taxation (JCX-22R-19 – https://www.jct.gov/publications.html?func=startdown&id=5188).

The taskforce worked with stakeholders, other interested Senate offices, and other interested parties to examine the original basis of each provision, determine whether there continues to be a need for the provision as currently drafted, and identify long-term resolutions. The Employment and Community Development Taskforce received and considered comments and proposals from stakeholders and other interested parties with respect to its set of temporary tax policies, which are summarized below.

II. Taskforce Membership

Senators Rob Portman (R-OH) and Maria Cantwell (D-WA) served as co-leads for this taskforce. Senators Tim Scott (R-SC), James Lankford (R-OK), Todd Young (R-IN), Ben Cardin (D-MD), Sherrod Brown (D-OH), and Catherine Cortez Masto (D-NV) also served as members of the taskforce. Senate Finance Committee Chairman Chuck Grassley (R-IA) and Ranking Member Ron Wyden (D-OR) served as ex-officio members.

III. Temporary Provisions Considered

The Employment and Community Development Taskforce considered the following temporary tax policy measures: (1) the Indian employment tax credit (Section 45A), (2) the new markets tax credit (Section 45D), (3) the mine rescue team training credit (Section 45N), (4) the work opportunity tax credit (Section 51), (5) empowerment zone tax incentives (Sections 1391-1397B), and (6) the American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432, as amended). The temporary provisions are outlined in greater detail below.
a. Indian employment tax credit (Section 45A)
The provision allows a credit to employers against income tax liability for the first $20,000 of qualified wages and qualified employee health insurance costs paid or incurred by the employer with respect to certain employees. The credit is equal to 20 percent of the excess of eligible employee qualified wages and health insurance costs incurred during the current year over the amount of such wages and costs incurred by the employer during 1993. The credit is an incremental credit, such that an employer’s current-year qualified wages and qualified employee health insurance costs (up to $20,000 per employee) are eligible for the credit only to the extent that the sum of such costs exceeds the sum of comparable costs paid during 1993. The provision expired for taxable years beginning after December 31, 2017. The provision was enacted in the Omnibus Reconciliation Act of 1993 and did not apply to taxable years beginning after December 31, 2003. The provision has been extended nine times, most recently by the Bipartisan Budget Act in 2018.

b. New markets tax credit (Section 45D)
The provision allows a credit in the aggregate amount of 39 percent of qualified investments in order to attract private capital to promote economic and community development in low-income communities. The credit is allowed over seven years, five percent in each of the first three years and six percent in each of the next four years. In general, the credit is allowed to a taxpayer who makes a “qualified equity investment” in a “qualified community development entity” (“CDE”), which further invests in a “qualified active low-income community business.” The credit is recaptured if the entity fails to continue to be a CDE or the interest is redeemed within seven years. The provision was enacted in the Community Renewal Tax Relief Act of 2000. The credit applied to investments made after December 31, 2000, and $15 billion of credits were allocated through 2007. In 2005, an additional $1 billion of credits were allocated for qualified areas affected by Hurricane Katrina over a period of three years in the Gulf Opportunity Zone Act of 2005. In 2006 and again in 2008, another $3.5 billion of credits were allocated in the Tax Relief and Health Care Act of 2006, and in the Tax Extenders and Alternative Minimum Tax Relief Act of 2008. In 2009, an additional $3 billion of credits were allocated to be split equally between the 2008 (retroactively) and 2009 allocations in the American Recovery and Reinvestment Act of 2009. The provision was extended four times since 2009, most recently by the Consolidated Appropriations Act, 2016 (PATH Act). That law provided for an allocation limit of $3.5 billion in each of 2015, 2016, 2017, 2018, and 2019, and extended for five years, through 2024, the carryover period for unused new markets tax credits.

c. Mine rescue team training credit (Section 45N)
The mine rescue training credit is a general business credit available with respect to each qualified mine rescue team employee employed by the taxpayer equal to the lesser of: (1) 20 percent of the amount paid or incurred by the taxpayer during the taxable year with respect to the training program costs of each qualified mine rescue team employee (including the wages of the employee while attending the program), or (2) $10,000. The provision expired for taxable years beginning after December 31, 2017. The provision was enacted in the Tax Relief and Health Care Act of 2006 and was effective for tax years beginning after December 31, 2005, and before January 1, 2009. The provision has been extended six times, most recently by the Bipartisan Budget Act.
d. **Work opportunity tax credit (Section 51)**

The work opportunity tax credit (“WOTC”) provides an elective general business credit to employers hiring individuals who are members of one or more of ten targeted groups. Generally, the maximum credit per employee is $2,400 (40 percent of the first $6,000 of qualified first-year wages), but special rules apply for certain targeted groups. To claim the credit, an employer must have the employee certified as eligible by the appropriate State workforce agency. Amounts paid or incurred to individuals who begin work for an employer after December 31, 2019 are not qualified first-year wages. The provision was enacted in the Small Business Job Protection Act of 1996 for wages paid or incurred to a qualified individual who began work for an employer before October 1, 1997. The credit was enacted to replace the targeted jobs tax credit. The provision has been modified multiple times since enactment to add, subtract, or refine the targeted groups, to change the maximum credit levels, and to make other modifications. In particular, WOTC has been used to target specific populations following certain national events, including New York Liberty Zone business employees following the September 11, 2001, terrorist attacks and Hurricane Katrina employees following the 2005 hurricane. Beginning in 2007, the welfare-to-work tax credit was repealed and the credit’s eligible population was incorporated into the WOTC population. The provision has been extended 12 times, most recently by the Consolidated Appropriations Act, 2016.

e. **Empowerment zone tax incentives (Sections 1391-1397B)**

The empowerment zone tax incentives are intended to encourage economic growth and investment in distressed communities by providing Federal tax incentives to businesses located within the designated geographic areas. There are 40 areas designated as empowerment zones. The tax incentives available within the designated empowerment zones include tax-exempt bond financing, a Federal income tax credit for employers who hire qualifying employees, accelerated depreciation deductions on qualifying equipment under section 179, and deferral of capital gains tax on sale of qualified assets sold and replaced. The tax incentives generally expire after December 31, 2017.

The empowerment zone tax incentives were enacted in the Omnibus Budget Reconciliation Act of 1993, which authorized the designation of nine empowerment zones (“Round I empowerment zones”) to be designated by the Secretaries of the Department of Housing and Urban Development and the Department of Agriculture. These designations were to be made after 1993 and before 1996 and terminated upon the earliest of (i) the close of the tenth calendar year beginning on or after such date of designation, (ii) the termination date designated by the State and local governments as provided for in their nomination, or (iii) the date the appropriate Secretary revoked the designation. The Taxpayer Relief Act of 1997 authorized the designation of two additional Round I urban empowerment zones, and 20 additional empowerment zones (“Round II empowerment zones”). These designations were to be made after the date of the enactment and before January 1, 1999. The Community Renewal Tax Relief Act of 2000 (“Renewal Act”) authorized a total of 10 new empowerment zones (“Round III empowerment zones”). These designations were to be made after the date of the enactment and before January 1, 2002. The designations were generally to remain in effect during the period beginning on January 1, 2002, and ending on December 31, 2009. In
addition, the Renewal Act conformed the tax incentives that are available to businesses in the Round I, Round II, and Round III empowerment zones, added some additional tax incentives (deferral of capital gains tax on sale of qualified assets sold and replaced under section 1397B and partial exclusion of capital gains tax on certain sales of qualified small business stock), raised the expensing limitation on qualifying equipment under section 1397, and generally extended all of the empowerment zone incentives through December 31, 2009. The empowerment zone tax benefits were extended five times, most recently by the Bipartisan Budget Act. The empowerment zone tax incentives may expire earlier than December 31, 2017, if a State or local government provided for an expiration date in the nomination of an empowerment zone or the appropriate Secretary revokes an empowerment zone’s designation. The State or local government may, however, amend the nomination to provide for a new termination date.

f. American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432, as amended)
The American Samoa economic development credit is a credit against U.S. corporate income tax for domestic corporations with operations in American Samoa. The credit is available to domestic corporations that claimed the now-expired section 936 possessions tax credit with respect to American Samoa for its last taxable year beginning before January 1, 2006, and for other domestic corporations with operations in American Samoa for taxable years beginning after December 31, 2016. The credit expired for taxable years beginning after December 31, 2017. The provision was enacted in the Tax Relief and Health Care Act of 2006 and originally applied to the first two taxable years of a corporation that began after December 31, 2005, and before January 1, 2008. The credit was available only to domestic corporations that claimed the now-expired section 936 possessions tax credit. For years beginning before December 31, 2011, the amount of the credit is equal to the sum of certain percentages of a domestic corporation’s employee wages, employee fringe benefit expenses, and tangible property depreciation allowances for the taxable year in respect of the active conduct of a trade or business in American Samoa. The amount of the credit allowed to a qualifying domestic corporation under the provision is equal to the sum of the amounts used in computing the corporation’s economic activity-based limitation with respect to American Samoa, except that no credit is allowed for the amount of any American Samoa income taxes. Thus, for any qualifying corporation the amount of the credit equals the sum of (1) 60 percent of the corporation’s qualified American Samoa wages and allocable employee fringe benefit expenses and (2) 15 percent of the corporation’s depreciation allowances with respect to short-life qualified American Samoa tangible property, plus 40 percent of the corporation’s depreciation allowances with respect to medium-life qualified American Samoa tangible property, plus 65 percent of the corporation’s depreciation allowances with respect to long-life qualified American Samoa tangible property.

The section 936(c) rule denying a credit or deduction for any possessions or foreign tax paid with respect to taxable income taken into account in computing the credit under section 936 does not apply with respect to the credit allowed by the provision. For taxable years beginning after December 31, 2011, the credit rules are modified in two ways. First, domestic corporations with operations in American Samoa are allowed the credit even if those corporations are not existing credit claimants. Second, the credit is available to a domestic
corporation (either an existing credit claimant or a new credit claimant) only if the corporation has qualified production activities income (as defined in section 199(c) by substituting “American Samoa” for “the United States” in each place that the latter term appears). The American Taxpayer Relief Act of 2012 modified the provision for taxable years beginning after December 31, 2011 to permit corporations that were not existing claimants of the former section 936 credit to claim the credit and to require that all claimants have qualified production activities income in American Samoa within the meaning of former section 199(c). The provision has been extended six times, most recently by the Bipartisan Budget Act of 2018.

IV. Overview of the Taskforce’s Work
The Employment and Community Development Taskforce held four meetings on a staff level. Of note, the initial meeting of the E&CD taskforce was with staff of the Joint Committee on Taxation (JCT), during which JCT provided a broad overview of the six provisions assigned to our taskforce and gave taskforce staffers the opportunity to ask questions about legislative history, policy intent, mechanics of the provisions, and other relevant questions. In a subsequent meeting, the taskforce organized multiple panels of stakeholders organized by tax provision to present on their written submissions to the taskforce and to provide a venue for taskforce staff to ask additional questions.

The Employment and Community Development Taskforce also held a Member-level meeting, where the Chief of Staff for the Joint Committee on Taxation, Tom Barthold, presented to the Senators on the provisions assigned to the taskforce and gave them the opportunity to ask additional questions about the assigned tax provisions.

In all, the taskforce received 96 written submissions through the formal email account established for the purposes of the taskforce. A number of the submissions were made at the request of the taskforce. This request for submissions from the taskforce asked that the stakeholders answer the following list of questions in their submission:

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?
2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?
3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?
4) As currently drafted, does the provision achieves its stated purpose?
5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?
6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?
7) Are there any other special considerations that you would like to identify relative to this provision?
8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?

V. **Summary of Stakeholder Views Received**
   (NOTE: Bills introduced this Congress list the lead sponsor and any taskforce members that serve as co-leads on the bill)

**Indian Employment Tax Credit**

a. Total number of proposals/comments received: 6

b. Bills introduced in the current Congress

   i. H.R. 2017 – A bill to make the Indian employment tax credit permanent
      1. **Sponsor:** Rep. Tom O’Halleran (D-AZ)
      2. **Co-sponsors:** 3 (2 R, 1 D)

c. Individual stakeholders and groups that requested and came in for meetings

   The Native American Finance Officers Association and the National Congress of American Indians met with the taskforce members to discuss their views on the Indian employment tax credit.

d. Input from Members not on the taskforce/SFC: None

e. Brief summary of views presented

   i. **Permanence:** The taskforce received comments arguing for permanence of the Indian employment tax credit.

   ii. **Modify the Base Year to Moving Average:** The taskforce received comments arguing for the elimination of the 1993 base year for the credit and instead measuring the credit based on a two-year moving average of eligible employee qualified wages and health insurance costs. Comments suggest that making this change to how the credit is measured would restore the original incremental nature of the credit and minimize record-keeping requirements for entities in business since 1993.

   iii. **Increase the Qualified Wage Ceiling:** The taskforce received comments arguing to increase the limit of qualified wages and health insurance costs that determine eligibility for the credit up to $60,000. The current law level is set at around $45,000 (based on indexing the statutory limit of $30,000 to inflation starting from the 1993 base year).

   iv. **Expand Access to the Credit to Governmental/Nonprofit Employers:** The taskforce received comments that argue for the expansion of the credit to include governmental/nonprofit employers by providing a payroll tax credit in
an amount equal to the current law credit. The payroll tax credit would only be accessible to tribal government employers and entities operating on Indian reservations that are certified by the IRS as a 501(c)(3) organization. The payroll tax credit will be applied to reduce the applicable employer’s share of federal payroll taxes for an eligible employee. The payroll tax credit would be structured such that it would have no impact or effect of the employee’s payroll tax credits for Social Security and Medicare.

v. **Allow the Indian Employment Tax Credit to Expire:** The taskforce received comments arguing that the Indian employment tax credit should remain expired.

**New Markets Tax Credit**
a. Total number of proposals/comments received on the provision: 16
b. Bills introduced in the current Congress

i. H.R. 1680 – New Markets Tax Credit Extension Act of 2019
   1. **Sponsor:** Rep. Terri Sewell (D-AL)
   2. **Co-sponsors:** 90 (48 R, 42 D)
   3. **Summary:** Makes permanent the New Markets Tax Credit, increases the annual allocation amount to $5 billion and indexes that amount to inflation for future years, and provides relief from the Alternative Minimum Tax for taxpayers claiming the credit.

ii. H.R. 3538 – Rural Jobs Act
   1. **Sponsor:** Rep. Terri Sewell (D-AL)
   2. **Co-sponsors:** 1 (1 R)
   3. **Summary:** Provides for an additional NMTC allocation amount of $500 million for 2019 and 2020 for use in Rural Jobs Zones

iii. H.R. 3664 – ADVANCE Act of 2019
   1. **Sponsor:** Rep. Denny Heck (D-WA)
   2. **Co-sponsors:** 10 (3 R, 7 D)
   3. **Summary:** Directs CDFI to (1) provide outreach and training with regard to new markets tax credits to underserved communities, or low-income communities with disproportionately low amount of qualified investments by CDEs, and (2) prioritize qualified investment in Indian country through appropriate additional questions in the NMTC allocation application and efforts to ensure at least one allocation award is made to a project serving Indian country.

iv. S. 750 – New Markets Tax Credit Extension Act of 2019
   1. **Sponsors:** Sen. Roy Blunt (R-MO) and Sen. Ben Cardin (D-MD)
   2. **Co-sponsors:** 29 (13 R, 16 D)
   3. **Summary:** Makes permanent the New Markets Tax Credit, increases the annual allocation amount to $5 billion and indexes that amount to inflation for future years, and provides relief from the Alternative Minimum Tax for taxpayers claiming the credit.

v. S. 2028 – Rural Jobs Act
1. **Sponsor:** Sen. Roger Wicker (R-MS)
2. **Co-sponsors:** 4 (2 R, 2 D)
3. **Summary:** Provides for an additional NMTC allocation amount of $500 million for 2019 and 2020 for use in Rural Jobs Zones

c. Individual stakeholders and groups that requested and came in for meetings

The NMTC Coalition, Opportunity Finance Network, Native American Finance Officers Association, Community Development Financial Institutions (CDFI) Fund, Enterprise, Local Initiatives Support Corporation, and the Partnership for Job Creation met with the taskforce members to discuss their views on the New Markets Tax Credit.

d. Input from Members not on the taskforce/SFC

Senator Roy Blunt (R-MO) advocated for the consideration of S. 750, the *New Markets Tax Credit Extension Act of 2019*.

e. Brief summary of views presented

i. **Permanence:** The taskforce received comments arguing that the New Markets Tax Credit should be made permanent, which is included in the *New Markets Tax Credit Extension Act of 2019*. These comments argue that making the New Markets Tax Credit permanent will expand the investor base, improve pricing of the credit increasing the amount of available capital, and strengthen the planning and implementation of NMTC projects.

ii. **Increase the NMTC Allocation and Index to Inflation:** The taskforce received comments in support of indexing to inflation the annual allocation amount, using a measure of inflation and base year that would immediately increase the current-year allocation from $3.5 billion to $5 billion. Comments point to the provision included in the *New Markets Tax Credit Extension Act of 2019* that would effectuate this policy change. These comments argue that indexing the amount to inflation, including the current-year increase, would address the current trend of oversubscription of the credit by allowing more highly qualified applicants to receive awards or by allowing for larger awards.

iii. **Provide Relief from the Alternative Minimum Tax:** The taskforce received comments that argue for exempting NMTC investments from the Alternative Minimum Tax (AMT). Comments argue that such an exemption from the AMT would align the NMTC with other investment tax credits, including the Low Income Housing Tax Credit, the Historic Tax Credit, and certain renewable energy credits. Further, the comments argue that exempting NMTC investments from the AMT would expand the investor base and increase demand for the credits, leading to a requisite increase in the price of the credits and value of the project.
iv. **Improve Ability to Serve Native American Communities:** The taskforce received comments arguing for a 10 percent programmatic set aside of the total allocation amount for investment in Native American communities. The comments also argue for a number of additional administrative changes targeted at increasing NMTC awards in Native American Communities, including revising community development enterprises (CDEs) service area to include Indian Country, creating an option to select a service area designated for tribes or use allocations on a national basis, providing proactive outreach and training to underserved communities, including native communities, and to the extent practicable, ensuring that at least one CDE with the primary mission to serve Indian country receives an allocation each round.

v. **Improve New Markets Tax Credits Administration:** The taskforce received some comments that argue for assisting past applicants in addressing any issues regarding their applications. They argue that the CDFI should take a number of steps to allow for a greater number of CDEs to receive allocations, including the following:
- Provide a debriefing for those applicants with high scores who did not receive an NMTC allocation,
- Limit the amount of awards to any one CDE within a particular time period,
- Provide public disclosure of applications and scores, and
- Implement caps on awards to non-local or statewide CDEs.

vi. **Allow to Expire:** The taskforce received comments arguing that the New Markets Tax credit should be permanently repealed.

**Mine Rescue Team Training Tax Credit**

a. Total number of proposals/comments received on the provision: 1

b. Bills introduced in the current Congress

i. H.R. 1974 – Mine Rescue Team Training Credit
   1. **Sponsor:** Rep. Steven Horsford (D-NV)
   2. **Co-sponsors:** 0
   3. **Summary:** Makes permanent the mine rescue team training credit

c. Individual stakeholders and groups that requested and came in for meetings: None

d. Input from Members not on the taskforce/SFC: None

e. Brief summary of views presented

i. **Extend and Increase the mine rescue team training credit:** The taskforce received a comment that argued for permanence of the mine rescue team training credit. Further, the comment argued for an increase in the credit amount from $10,000 to $50,000. They argued that increasing the available credit from $10,000
to $50,000 would provide a much-needed boost to the competitiveness of the
domestic mineral extraction industry.

**Work Opportunity Tax Credit**
a. Total number of proposals/comments received: 65
b. Bills introduced in the current Congress

i. H.R. 322 – Incentives for our Nation’s Veterans in Energy Sustainability Technologies
   1. **Sponsor:** Rep. Barbara Lee (D-CA)
   2. **Co-sponsors:** 1 (1 D)
   3. **Summary:** Expands the targeted groups eligible for WOTC to include veterans hired in the field of renewable energy.

ii. H.R. 413 – Hire A Hero Act of 2019
   1. **Sponsor:** Rep. Stacey Plaskett (D-VI)
   2. **Co-sponsors:** 19 (18 D, 1 R)
   3. **Summary:** Expands the targeted groups eligible for WOTC to include individuals who are members of the Ready Reserve or the National Guard and makes the credit permanent for the qualified veterans, Ready Reserve, and National Guard targeted groups.

iii. H.R. 1196 – Jobs for Veterans Act of 2019
   1. **Sponsor:** Rep. Peter King (R-NY)
   2. **Co-sponsors:** 5 (4 D, 1 R)
   3. **Summary:** Increases the credit amount available for qualified veterans who have been discharged or released from active duty starting after September 11, 2001, and extends availability for this increased credit through December 31, 2023.

iv. H.R. 2213 – A bill to make WOTC permanent
   1. **Sponsor:** Rep. Mike Thompson (D-CA)
   2. **Co-sponsors:** 18 (10 D, 8 R)

v. H.R. 2499 – Hire Student Veterans Act
   1. **Sponsor:** Rep. Susie Lee (D-NV)
   2. **Co-sponsors:** 1 (1 R)
   3. **Summary:** Expands the definition of qualified veteran to include veterans receiving educational assistance administered by the Department of Defense of the Department of Veterans Affairs.

vi. H.R. 2667 – Military Spouses Employment Act
   1. **Sponsor:** Rep. John Carter (R-TX)
   2. **Co-sponsors:** 1 (1 R)
   3. **Summary:** Expands the targeted groups eligible for WOTC to include the spouse of military personnel serving on a period of extended active duty.

vii. H.R. 2845 – Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act
   1. **Sponsor:** Rep. Robin Kelly (D-IL)
2. Co-sponsors: 0
3. Summary: Expands the definition of the summer youth targeted group to provide a credit for year-round employment, expands the targeted groups eligible for WOTC to include qualified at-risk youth and qualified foster care transition youth, and extends empowerment zone tax incentives through December 31, 2020.

viii. H.R. 2912 – Military Spouse Hiring Act
2. Co-sponsors: 24 (18 D, 6 R)
3. Summary: Expands the targeted groups eligible for WOTC to include the spouses of military personnel.

ix. H.R. 2964 – Improved Employment Outcomes for Foster Youth Act of 2019
1. Sponsor: Rep. Danny Davis (D-IL)
2. Co-sponsors: 1 (1 R)
3. Summary: Expands the targeted groups eligible for WOTC to include qualified foster care transition youth.

x. H.R. 3123 – Supermarket Tax Credit for Underserved Areas Act
2. Co-sponsors: 1 (1 R)
3. Summary: Increase the credit amount for a WOTC-eligible individual working at an underserved area supermarket, increases the amount of the rehabilitation credit for the construction of an underserved area supermarket, and provides a tax credit to new underserved area supermarkets to the extent they are selling locally grown fresh fruits and vegetables.

xi. S. 255 – Disability Employment Incentive Act
1. Sponsor: Sen. Robert Casey (D-PA)
2. Co-sponsors: 7 (7 D)
3. Summary: Expands the targeted groups eligible for WOTC to include individuals receiving SSDI benefits; increases the credit amount available for the vocational rehabilitation referral, SSI recipient, and SSDI recipient targeted groups; expands the disabled access credit, and expands the deduction for expenditures to remove architectural and transportation barriers to the handicapped and elderly.

xii. S. 537 – Hire Student Veterans Act
2. Co-sponsors: 7 (3 D, 4 R)
3. Summary: Expands the definition of qualified veteran to include veterans receiving educational assistance administered by the Department of Defense of the Department of Veterans Affairs.

xiii. S. 978 – Work Opportunity Tax Credit and Jobs Act
2. Co-sponsors: 6 (3 D, 3 R)
3. Summary: Makes WOTC permanent.
xiv. S. 1550 – Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act
   1. **Sponsor:** Sen. Richard Durbin (D-IL)
   2. **Co-sponsors:** 1 (1 D)
   3. **Summary:** Expands the definition of the summer youth targeted group to provide a credit for year-round employment, expands the targeted groups eligible for WOTC to include qualified at-risk youth and qualified foster care transition youth, and extends empowerment zone tax incentives through December 31, 2020.

xv. S. 1651 – Improved Employment Outcomes for Foster Youth Act of 2019
   1. **Sponsor:** Sen. Robert Casey (D-PA) and Sen. Rob Portman (R-OH)
   2. **Co-sponsors:** 2 (1 D, 1 R)
   3. **Summary:** Expands the targeted groups eligible for WOTC to include qualified foster care transition youth.

xvi. S. 1802 – Jobs and Childcare for Military Families Act of 2019
   1. **Sponsor:** Sen. Tim Kaine (D-VA)
   2. **Co-sponsors:** 5 (2 D, 3 R)
   3. **Summary:** Expands the targeted groups eligible for WOTC to include the spouse of military personnel and to expand FSAs to include childcare services for military families.

c. Individual stakeholders and groups that requested and came in for meetings

   The National Employment Opportunity Network (NEON) and CVS Health met with the taskforce members to discuss their views on the Work Opportunity Tax Credit.

d. Input from Members not on the taskforce/SFC

   Senator Robert Casey advocated for the consideration of S. 255, the Disability Employment Incentive Act, and S. 1651, the Improved Employment Outcomes for Foster Youth Act of 2019. Senator Richard Durbin advocated for the consideration of S. 1550, the Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act.

e. Brief summary of views presented

   i. **Permanence:** The taskforce received comments that advocated for permanence of the credit. Their primary arguments in support of permanence for WOTC revolve around the fact that the targeted groups eligible for the credit face significant barriers to entering the workforce or to maintaining gainful employment. They argue that the credit provides an economic incentive for employers to take on the risk of hiring these disadvantaged individuals. Further, they argue that permanence of the credit would increase the number of employers that would utilize the credit as employers establish infrastructure to promote outreach to targeted groups and to effectively file for the credit.
Others argue that permanence could help reduce administrative costs at the Department of Labor and state workforce agencies, particularly with regard to costs associated with prior hiatuses of the credit due to expiration and retroactive extension.

ii. **Changes to Existing Targeted Groups:** The taskforce received comments that advocated for the change or expansion of the definitions of the existing targeted groups eligible for the credit. Specifically, some comments advocated for the removal of the age range that is included in the definition of “qualified supplemental nutrition assistance program (SNAP) benefits recipient” under 26 U.S.C. 51(d)(8)(A)(i). That age range limits access to the credit under this definition to individuals between the ages of 18 and 40. Advocates of this change to the SNAP benefits recipient targeted group argue that this age limit is arbitrary, that there is an increasing amount of individuals above the age of 40 receiving SNAP benefits, and that Congress has previously increased the age ceiling from 25 to 40 in past legislation. These comments generally argue for lifting the age ceiling altogether.

Other comments advocated for the expansion of the targeted group definitions for “qualified ex-felon” and “qualified summer youth employee” under Sections 51(d)(4) and 51(d)(7), respectively. With regard to qualified ex-felons, advocates argue for supplementing the existing definition of ex-felon to further the goal of assisting criminals to re-enter into the workforce and ending the cycle of recidivism. With regard to qualified summer youth, comments argue for the expansion of this targeted group to allow for credit eligibility for year-round employment, provided that the definition limits the amount of hours these individuals can work during the school year to 20 hours per week. Comments point to the *Helping Encourage Real Opportunities (HERO) for At-Risk Youth Act* introduced by Senator Durbin, which includes this expansion of the qualified summer youth employee targeted group.

Finally, comments suggested amending the “designated community resident” targeted group to create a credit for individuals who both work and reside in an opportunity zone.

iii. **Addition of New Targeted Groups:** The taskforce received other comments that advocate for the creation of new targeted groups under WOTC. Some comments argue for the creation of a targeted group for individuals transitioning out of the foster care system. Specifically, they argue for the creation of a new targeted group for individuals who had spent time in the foster care system at age 14 or older and who are between the ages of 16 to 27 upon the date of their hiring. Advocates for this expansion point to data suggesting that individuals who age out of the foster care system at age 18 experience low levels of employment and are heavily dependent on public assistance programs. These comments point to the *Improving Employment Outcomes for Foster Youth Act of 2019*, legislation introduced by Senator Casey and Representative Danny Davis, which would create this new targeted group.
Related comments advocate for the creation of a new targeted group for at-risk youth, which would include individuals between the ages of 16 and 24 who are out of work, out of school, and lacking basic skills for employment as well as individuals between ages 16 and 21 that are currently in the foster care program or who had aged out of the system. These comments point to the *Helping Encourage Real Opportunities (HERO) for At-Risk Youth Act* introduced by Senator Durbin, which would create this new targeted group.

Other comments argue for the creation of a new targeted group for individuals receiving Social Security Disability Insurance (SSDI) benefits. They argue that, while WOTC is currently available to individuals receiving Supplemental Security Income (SSI) benefits and individuals with vocational rehabilitation referrals, individuals receiving SSDI benefits are not eligible despite facing similar challenges to entering the workforce. Comments point to the *Disability Employment Incentive Act* introduced by Senator Casey, which would create this new targeted group.

Additional comments call for the creation of a new targeted group for spouses of service members on active duty.

**Empowerment Zones Tax Incentives**

a. Total number of proposals/comments received: 8

b. Bills introduced in the current Congress

i. H.R. 186 – Veterans Jobs Opportunity Act
   1. **Sponsor:** Rep. Al Lawson Jr. (D-FL)
   2. **Co-sponsors:** 34 (34 D)
   3. **Summary:** Creates a business credit equal to a percentage of start-up expenditures incurred by an applicable veteran-owned small businesses, which are defined in part as businesses owned and operated by a veteran or spouse of a veteran with a principal place of business in underserved communities such as empowerment zones.

ii. H.R. 2238 – A bill to extend tax incentives for empowerment zones
   1. **Sponsor:** Rep. Adriano Espaillat
   2. **Co-sponsors:** 1 (1 R)
   3. **Summary:** Extends the tax incentives for empowerment zones through December 31, 2029, with the extension made retroactive to January 1, 2018, and reinstates Qualified Zone Academy Bonds.

iii. H.R. 2845 – Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act
   1. **Sponsor:** Rep. Robin Kelly (D-IL)
   2. **Co-sponsors:** 0
   3. **Summary:** Expands the definition of the summer youth targeted group to provide a credit for year-round employment, expands the targeted groups eligible for WOTC to include qualified at-risk youth and qualified foster care transition youth, and extends empowerment zone tax incentives through December 31, 2020.
iv. H.R. 3123 – Supermarket Tax Credit for Underserved Areas Act
   1. **Sponsor:** Rep. Steve Cohen (D-TN)
   2. **Co-sponsors:** 1 (1 R)
   3. **Summary:** Increase the credit amount for a WOTC-eligible individual working at an underserved area supermarket, increases the amount of the rehabilitation credit for the construction of an underserved area supermarket, and provides a tax credit to new underserved area supermarkets to the extent they are selling locally grown fresh fruits and vegetables.

v. S. 1550 – Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act
   1. **Sponsor:** Sen. Richard Durbin (D-IL)
   2. **Co-sponsors:** 1 (1 D)
   3. **Summary:** Expands the definition of the summer youth targeted group to provide a credit for year-round employment, expands the targeted groups eligible for WOTC to include qualified at-risk youth and qualified foster care transition youth, and extends empowerment zone tax incentives through December 31, 2020.

vi. S. 2100 – Veterans Jobs Opportunity Act
   1. **Sponsor:** Sen. Jacky Rosen (D-NV)
   2. **Co-sponsors:** 3 (2 R, 1 D)
   3. **Summary:** Creates a business credit equal to a percentage of start-up expenditures incurred by a applicable veteran-owned small businesses, which are defined in part as businesses owned and operated by a veteran or spouse of a veteran with a principal place of business in underserved communities such as empowerment zones.

c. Individual stakeholders and groups that requested and came in for meetings

   The National Employment Opportunity Network and Representative Adriano Espaillat (D-NY) met with the taskforce members to discuss their views on Empowerment Zone Tax Incentives.

d. Input from Members not on the taskforce/SFC:

   Representative Adriano Espaillat (D-NY) advocated for H.R. 2238, a bill to extend empowerment zone tax incentives through December 31, 2029. Senator Richard Durbin advocated for S. 1550, the *Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act*, which would extend empowerment zone tax incentives through December 31, 2020.

e. Brief summary of views presented

   i. **Permanence:** The taskforce received comments that advocated for permanence of the Empowerment Zone tax incentives. Many of these comments highlighted the Empowerment Zone employment credit under Section 1396, arguing that the
hiring incentive that can be taken separately from the Work Opportunity Tax Credit for designated community residents helps to support employment in the Empowerment Zones, which typically exhibit high levels of poverty and unemployment.

ii. **Changes to Definition of Enterprise Zone Business:** The taskforce received comments that suggested changes to the definition of “enterprise zone business” under Section 1397C. Specifically, comments suggested Section 1397C(f)(3), one of the elements that determine eligibility for businesses straddling census tract lines that requires the amount of real property used by the business entity within the empowerment zone to be “substantial” compared to the real property used by the business entity outside of the empowerment zone. Comments also suggested changing the requirements to qualify as an enterprise zone business by expanding Section 1397C(b)(6) such that 35 percent of the employees of the qualifying business are either residents of an empowerment zone OR residents of “a census tract that straddles an empowerment zone.” Under current law, residents of census tracts that are not empowerment zones would not qualify for the 35 percent requirement.

iii. **Permanent Repeal:** The taskforce received comments arguing that all Empowerment Zone tax incentives should be permanently repealed. Comments note that past studies from HUD and GAO “failed to link” designation of Empowerment Zones with improvement in community outcomes.

**American Samoa Economic Development Credit**

a. Total number of proposals/comments received on the provision: 4
b. Bills introduced in the current Congress: None
c. Individual stakeholders and groups that requested and came in for meetings

Staff for Rep. Aumua Amata Radewagen (R-AS) and representatives of the American Samoa Governor’s office met with the taskforce members to discuss their views on Empowerment Zone Tax Incentives.

d. Input from Members not on the taskforce/SFC

Representative Aumua Amata Radewagen (R-AS) advocated for permanence of the American Samoa economic development credit. Senator Johnny Isakson (R-GA) and Representative Rick Allen (R-GA) expressed opposition to the extension of the American Samoa economic development credit.

e. Brief summary of views presented [with reference to written proposals in the appendix for specific details]

i. **Permanence:** The taskforce received comments arguing for permanence of the American Samoa economic development credit. Comments argue that the credit has allowed companies within American Samoa’s tuna cannery industry
to remain on the island rather than relocating their business. The comments note that the tuna cannery industry employs roughly 2,300 individuals on American Samoa, the largest private sector employer on American Samoa.

ii. **Allow the Provision to Expire:** The taskforce received comments arguing that the American Samoa economic development credit should remain permanently expired. These comments argue that the benefits of the credit largely go to one company in the tuna cannery industry and that this distorts the industry.

VI. **Taskforce Consensus Recommendations:**

In general and irrespective of any of the six tax provisions assigned to the Employment and Community Development Taskforce, the members of the taskforce agree that there are significant negative effects to tax policy measures that are put in place on a short-term, temporary basis. Those negative effects often are exacerbated when the temporary tax policies are extended retroactively. Provisions enacted on a short-term, temporary basis may undermine the ability for those provisions to meet their underlying policy goals, particularly as it relates to certainty needed to make long-term economic investments. Additionally, retroactive extensions of these policies often impose additional administrative costs to taxpayers and the government alike. To the extent practicable, the taskforce members feel that tax policy should be enacted with long-term time horizons, if not on a permanent basis.

With regard to the specific provisions assigned to the Employment and Community Development Taskforce, the members of the Taskforce make two recommendations. First, to the extent that Congress chooses to retroactively extend or to reinstate the Indian employment tax credit on a prospective basis, the credit should eliminate the current law base year for measuring the credit amount and instead measure the credit using a moving average of qualified wages and health insurance costs from a set number of preceding years. Making this change would achieve the original legislative intent of making this credit incremental in nature, potentially reducing costs to the government and to taxpayers while incentivizing qualifying employers to offer larger pay increases to qualifying employees.

Second, to the extent that Congress chooses to retroactively extend or to reinstate the American Samoa economic development credit on a prospective basis, the current language for the credit should be moved into the Internal Revenue Code rather than existing through amendments to Code provisions that have since been repealed.

VII. **Appendix**
Hello,

I'm writing following up on the Finance Committee's establishment of the Employment and Community Development Task Force to study potential permanent solutions to community development-focused temporary tax policies.

I'm writing to request a meeting with the appropriate staff on behalf of Westfield, a multinational company building and running high-end shopping centers across the nation. Westfield is also a leading provider of airport retail and vending services at major airports, including JFK Airport in New York, LAX in California, and Chicago O'Hare.

Westfield has for several years worked for the repeal of the Foreign Investment in Real Property Tax Act (FIRPTA) of 1980. Westfield works in alignment with the Invest In America Coalition, made up of several real estate firms, professional associations, and organized labor unions who expect repeal to create jobs and other economic benefits. The Coalition has estimated that repeal of FIRPTA, which brings in little to the Treasury and discourages much-needed investment in priorities like housing and infrastructure, could create as many as 250,000 jobs. FIRPTA repeal has garnered bipartisan support for decades now, but

We hope to meet with the appropriate Committee staff to discuss whether FIRPTA repeal could have a place in a future tax extenders package. Would you have time to meet with Westfield's government relation executives when they're in town next week? Here are a couple windows that could work:

- Thursday, June 6: 1 PM or 1:30 PM
- Friday, June 7: anytime from 9 AM to 2 PM

Thanks in advance for your consideration, and we hope we can connect. Please let us know if you have any questions about Westfield or its work in support of FIRPTA repeal.

Thank you,

Lucia Alonzo
CHIEF OF STAFF
FEROX STRATEGIES
PH: 816-352-6397
EMAIL: lalonzo@feroxstrategies.com
Dear Senate Finance Employment and Economic Development Task Force:

I’m writing to submit comments to the Task Force on behalf of Craft3, a regional Community Development Financial Institution (CDFI) that makes loans in Oregon and Washington. Since our founding in 1994, we’ve invested over $500 million – mostly to small- and mid-sized businesses that cannot access traditional financing.

Of particular interest to the Task Force’s work, we’ve received a total of $133 million from four prior New Markets Tax Credit (NMTC) allocations – including $50 million in 2019, $40 million in 2009, $35 million in 2006 and $8 million in 2003. Based on that experience, we wanted to offer suggestions for you to consider as you weigh changes to that program.

**Program Permanency** | We support a permanent extension of the NMTC program. The credits are critical to helping us (and others) invest in hard-to-finance urban and rural projects with 1) insufficient borrower equity, 2) insufficient project collateral, 3) insufficient project cash flows, and/or 4) lack of sufficient borrower credit history.

**Required debriefings with CDFI Fund staff** | For the 2017 Round, 230 applicants applied for a NMTC allocation, and awards were made to 73 of those applicants. The 157 CDEs that did not receive an award were unable to request a qualitative evaluation of where their application fell short. Instead, we were provided a score-range (e.g. 145-154 points) and an indication on where that score fell within all applicants. This makes it hard to improve an application in future rounds. While we were awarded an allocation in the most-recent award round, we are still unable to request a debriefing, even limited to our numeric scores, to see where we could improve.

**Caps for awardees** | With limited exceptions, 12 C.F.R. §1805.402(a) caps the amount of Financial Assistance the CDFI Fund can provide to a recipient at $5 million during any three-year period. There is no similar cap for the NMTC program. Creating one could better-spread out awards to different entities. Functionally, this limits annual award sizes and how much entities apply for, as well. We support a $150 million cap on a rolling three-year basis.

**Public disclosure of applications and scores** | The CDFI Fund does not publicly disclose applicants or scores. This could improve transparency and allow applicants to learn from one-another and improve. Very little truly proprietary or confidential information is disclosed in the applications, and procedures could be put in place to keep one section withheld if needed for privacy reasons.

**Focusing awards to local/statewide/regional CDEs** | There has been a trend of nationally-focused CDEs applying to serve many states, or nationally, with their allocations. In many cases, these entities are not on-the-ground working first-hand in communities like local, statewide, or regional applicants. As two examples:
- Two rounds ago, no organization based in Oregon or Washington that specifically focuses on those locations received an award. Thus, there were no local organizations that were able to make local decisions about how to invest in those very communities.
- To our knowledge, in the most recent round, Craft3 is the only entity headquartered in Oregon or Washington to receive an award that is specifically designated for those communities. Requiring awards to be focused on local, statewide, or regional CDEs would help ensure local decisions are made by locals. In addition, there should be increased transparency and scrutiny on the requirements
to verify that a CDE actually serves and is accountable to a particular state when including said state in their allocation applications.

I’d be happy to arrange a short call with our NMTC team and answer any further questions if you have any. Thank you for your consideration and taking a hard look at how to make these programs work better for communities across the United States.

Regards,

Carl Seip

Carl Seip, VP, Communications and External Affairs
Craft3
Tel: 888-231-2170, ext. 121
Cell: 206-651-1632
Fax: 360-455-4879
cseip@craft3.org
Pronouns: he/him/his

Craft3 strengthens economic, ecological and family resilience in Pacific Northwest Communities.
www.craft3.org | facebook.com/Craft3org | twitter.com/Craft3org

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June 5, 2019

Dear Employment and Community Development Taskforce:

The Retail Industry Leaders Association (RILA) applauds Chairman Grassley and Ranking Member Wyden for establishing bipartisan taskforces to examine temporary tax provisions that expired or will expire between December 31, 2017 and December 31, 2019. We welcome this opportunity to express our strong support for the permanent enactment of the Work Opportunity Tax Credit (WOTC) as expressed in S. 978, "The Work Opportunity Tax Credit and Jobs Act." The bipartisan bill was introduced on April 2 by five members of the Finance Committee, Senators Portman, Cardin, Brown, Cassidy and Menendez along with Senator Blunt.

RILA is the U.S. trade association for the world's largest, most innovative and recognizable retail companies and brands. We convene decision-makers, advocate for the industry, and promote operational excellence and innovation. Our membership includes more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Retail: Creator of American Jobs

More than 42 million jobs in the U.S. are either a retail job or a job that relies on retail. Jobs in the retail industry span from designers and IT professionals to transportation and logistics service providers to customer service representatives. Outside of brick and mortar stores, millions of jobs in manufacturing, finance, insurance, real estate, transportation and warehousing, and service industries are supported by retailers. For millions of Americans, including Members of Congress and their staff, their first job was in retail. For many executives in RILA’s member companies, their entire careers are spent in the retail industry – beginning at a cash register, stocking shelves, or working in a distribution center, then becoming store managers before moving up through the company ranks. Retailers offer flexible schedules that enable individuals to spend more time with their families or complete a degree and provide employees with extensive training at all job levels and skill sets that lay a core foundation for fundamental career development. Millions of high-tech and high-paying jobs are created by retailers as consumer demand and industry innovation continually advance and change.
Retail: Driver of the U.S. Economy

With more than $553 billion in labor income and more than $3.8 trillion in sales, retail is one of America’s most powerful economic engines. In fact, consumer spending represents two-thirds of U.S. gross domestic product (GDP). There are few industries that have a greater impact on the U.S. economy than retail. We employ millions of Americans throughout the supply chain and provide American consumers with the products they want to buy at the price they want to pay. Retailers pay billions of dollars in federal, state, and local business and real estate taxes each year, and collect and remit billions more in sales taxes to state and local governments, providing a significant tax base for these communities. The depth and breadth of the domestic retail supply chain is far reaching throughout this country and the world.

Retail: Stewards of the Local Community

Retailers often serve a central role as stewards of communities beyond that as places to purchase goods and services. Brick and mortar retailers, large and small, provide a significant tax base for core local and state services such as police, fire and rescue, and schools. Beyond investing resources in store operations and job creation, brick and mortar retailers: provide billions of dollars annually to tens of thousands of local and national charities; hire American veterans; sponsor local sports and recreation teams; provide tangible goods donations to schools and homeless shelters; support community workforce development and training programs; and often provide shelter during storms and are the first on the ground after disasters strike to provide families with relief and help communities rebuild. Additionally, even the largest retailers rely on small business vendors in communities, such as plumbers and electricians, to keep stores open and operating.

The Work Opportunity Tax Credit (WOTC)

The WOTC, found under section 51 of the Internal Revenue Code, is an elective general business credit for employers that hire individuals who are members of one or more of ten targeted groups who would otherwise have difficulty in finding employment. The maximum credit is generally $2,400 per employee—40 percent of the first $6,000 of first year wages. An employer must obtain certification that an individual is a member of a targeted group before the employer may claim the credit.
Among the categories of targeted workers are the following:

- Qualified Veterans
- Ex-Felons
- Summer Youth Employees
- Qualified Long-Term Unemployment Recipients
- Supplemental Nutrition Assistance Program (SNAP) Recipients
- Supplemental Social Security Income (SSI) Recipients
- Long-Term Family Assistance Recipient (TANF)

WOTC was first enacted in 1996 as a replacement hiring incentive for the Targeted Jobs Tax Credit. Since then, the provision has been extended twelve times, most recently by the "Protecting Americans from Tax Hike (PATH) Act of 2015" through 2019. Some of the extensions of WOTC have been seamless while other extensions have been retroactive, after the provision had lapsed.

**Economic Benefits of WOTC**

Labor economist, Dr. Peter Cappelli of the University of Pennsylvania's Wharton School, has extensively studied the impact of WOTC on employment as well as its fiscal impact at both the federal and state levels. Some of his findings include the following:

- Since enactment in 1996, WOTC has helped over 24 million people move off some form of public assistance and into the workforce.
- The average WOTC hire tenure is 2.3 years.
- For every WOTC job certification, the federal government realizes a net savings of $17,700 in TANF, SNAP, Medicaid and federal housing subsidies, while the states save $4 billion annually in reduced costs for TANF, SNAP and Medicaid.
- The WOTC hiring incentive influences employer hiring practices. Since two-thirds of job applicants already have a job, hiring a WOTC-eligible individual helps expand the workplace.

**Conclusion: Make WOTC Permanent**

As previously mentioned, more than 42 million jobs in the U.S. are in retail or are a job that relies on retail. Also, for many individuals, their first entry into the workforce is a retail job. As the second largest private sector employer, retailers take pride in the diversity of our workforce.
Many RILA member companies utilize the WOTC credit in hiring from the list of targeted workers that otherwise would remain outside of the workforce. Such hiring decisions, would be made easier without the uncertainty associated with WOTC expiring every few years, including at the end of 2019.

RILA and its member companies are eager to work with all Members of Congress and the Administration to enact pro-growth tax policies, such as seamlessly making WOTC permanent, that help expand our workforce.
May 6, 2019

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce strongly supports H.R. 2213 and S. 978, the “Work Opportunity Tax Credit and Jobs Act,” and urges Members to cosponsor this legislation. Cosponsors of this bill will receive credit for the Leadership component of their “How They Voted” rating.

The Work Opportunity Tax Credit (WOTC) is a federal tax credit available to employers for hiring individuals from certain targeted groups who have consistently faced significant barriers to employment. The WOTC not only helps facilitate access to good jobs for American workers, it incentivizes workplace diversity and encourages structurally unemployed individuals to move into the workforce.

The WOTC was most recently extended in 2015 under the Protecting Americans from Tax Hikes Act of 2015. According to the Department of Labor’s most recent statistics, the result of this extension has been significantly increased hiring of individuals on public assistance, veterans, and those with disabilities.

The Chamber strongly supports the permanent extension of this vital incentive and urges you to cosponsor this important legislation.

Sincerely,

Neil L. Bradley
With the WOTC Tax Credit I am able to look at persons who were in prison for one reason or another and also to pay enough in wages to single mothers who need a steady position with a local business as many do not own an automobile. If this Tax Credit goes away then the real incentive to help them over others with possibly better credentials goes away.

Sincerely,

Gary Benke
Benke Foods, Inc.
Portland, Oregon
The Employment and Development Task Force,

We have seven Buffalo Wild Wings locations in North Central Ohio. As employers we generally have more than one applicant for each job we have to fill. In most cases we will look to hire the most skilled applicant that applies. The Work Opportunity Tax Credit puts another significant factor into our hiring decision which makes us take a look at an individual whom we might not otherwise consider without the tax incentive. Our experience is that WOTC has worked out well for us because with a little extra effort, those hired become valued employees. They tend to stay longer than other entry level workers and once they learn what we expect of them do an excellent job. WOTC makes this possible for us. Congress needs to make this program permanent please.

Thank you

Cary North
Director of Operations
Ashland, Avon Lake, Canton, Mentor, Ontario, Willoughby, & Wooster, Ohio
419-207-0502
cnorth@katargrp.com
I am an employer that uses the Work Opportunity Tax Credit on a daily basis. I wanted to share with the importance of making this a permanent program. We find that with very little extra effort those who are eligible become valued members of our staff. WOTC is an important inducement to employ those whom we might otherwise overlook or not consider. We own and operate 6 restaurants. This program makes a positive difference and should be made permanent.

Susan, Larry and Charles Chrisman DBA McDonalds
Bossier City, La  71111
Good Afternoon,

The modest tax incentive provided through the Work Opportunity Tax Credit is enough to make it worthwhile for us to focus on hiring those eligible for the program. We have found that while those eligible for WOTC often may not have the type of work place skills or experience that we would normally seek the tax incentive provides us with an enough resources to allow us to focus extra resources on training for entry level workers to make this a win for both us and those we hire. Please make sure that WOTC continues uninterrupted.

Sincerely,

Jim DeSnyder
JRP Restaurant Group
E: james.desnyder@jrprgi.com
Dear Madam or Sir,

Please accept this letter as a request to consider the WOTC program as a permanent scheduled entity. For many years my company has participated in the Work Opportunity Tax Credit program. Not only has it helped offset our labor costs, it has helped those we hire move off of costly public assistance programs and encouraged them to become contributing members of society. Porter’s is a national retail chain of gas stations and convenience stores and hour workforce is primarily the hourly worker.

As an employer, I am pleased when I can both make a contribution to my community and make my business more competitive in the market place. The Work Opportunity Tax Credit helps me to do exactly that. It encourages me to focus on hiring those who are on public assistance programs whom, all things being equal, I would be less inclined to hire because they don’t have the work experience I would normally be seeking in an employee. The tax incentive provided provides the extra resources I need to help those eligible to become successful employees. At the same time, I feel that I am doing something to help people transition from dependency on government assistance programs to self-sufficiency. I have seen how those who I hire through WOTC gain self-confidence and a more positive outlook on life. Having that first job helps them to believe in themselves and the prospect that they will be able to able even better for themselves and their families over time. This is a program that works for everyone and it should be made permanent.

Thank you for your consideration.

Sincerely

Andi

Andi Gail Pirnat, PHR, CHRM
Head of Human Resources
Porter’s

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June 11, 2019

Work Opportunity Tax Credit (“WOTC”)

Since 1997, Congress has used WOTC as an incentive to employers like Randstad to hire workers from narrowly targeted groups of the disadvantaged, thereby expanding opportunity for those facing poverty, stigma, or other barriers to employment. We believe WOTC has proven its worth and should be made permanent. The consistent manner of dealing with this valuable credit on a temporary extension basis does not allow for long-term planning for job expansion for employers like Randstad and our thousands of clients we serve across the country.

Evidence-based results speak for themselves: each year more than 2 million unemployed public assistance recipients (TANF, SNAP, SSDI, SSI), veterans, disconnected youth, and residents of high-poverty areas of cities and counties find jobs by checking a box on a one-page form accompanying their job application. Randstad hires thousands of such recipients each year and the WOTC form is a seamless, electronic step in the employee’s application process.

State workforce agencies must verify each worker’s eligibility before employers can claim the credit, making WOTC consistently free of fraud and abuse. WOTC has been proven to be the Federal government’s most cost-effective jobs program, costing a maximum of $1,900 per job for most workers, private employers paying the rest, pumping income into local communities. The credit is capped, and an employer can take it only once for the same worker.

Workers hired using WOTC are mostly under 30, with low skills or less education, including the 20 percent who don’t graduate from high school. For many, family dissolution, homelessness, and discouragement contribute to a history of intermittent work and low earnings. The population most at risk of stagnating in high-poverty communities is daunting: nearly 20 million have poor job readiness or disabilities, according to BLS. Every job is a critical lifeline for these workers because having a job, staying healthy, and studying has been shown to be the route to higher earnings. WOTC offers a better chance for a job, and in conjunction with the earned income and child tax credits, forms the cornerstone of the social safety net.

Department of Labor data for fiscal year 2013 (the last year available), when there were 1.6 million WOTC hires, show 600,000 hired above $9 an hour, the rest below $9. Thirty percent were in sales occupations, 22 percent in production including manufacturing, 19 percent in office administration, 17 percent in food preparation and serving, 5 percent in healthcare, and 2 percent in buildings and grounds maintenance. Overall, WOTC workers were distributed in 23 occupations representing all major sectors of the economy and Randstad services each of these occupations. WOTC jobs are not dominated by food service and hospitality sectors.
June 12, 2019

The Honorable Chuck Grassley
Chairman
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Re: Senate Finance Committee’s Taskforces on Temporary Tax Policy and the New Markets Tax Credit

Dear Chairman Grassley and Ranking Member Wyden:

Thank you for your efforts to address expired and expiring tax provisions, including the New Markets Tax Credit. I am writing on behalf of Opportunity Finance Network, a national association of more than 270 Community Development Financial Institutions (CDFIs) that are investing in opportunities that create affordable housing, vital community services, and entrepreneurial capital in rural, urban, and Native communities. OFN members have cumulatively provided more than $65 billion in responsible lending to help low-income, low-wealth, and otherwise disinvested individuals and communities nationwide. As these taskforces begin their work in reviewing each of these provisions, OFN strongly recommends that the New Markets Tax Credit (NMTC) Program is preserved and made permanent.

The NMTC is leveraged by our members to attract private investment to important community and economic development projects. Cinnaire, a nonprofit CDFI and OFN member, used an $11.5 million NMTC allocation to support the new construction of a 350,000 square foot manufacturing facility in rural Michigan for EJ Group, Inc. EJ Group has been located in Michigan since 1883 and is one of the leading employers in the region. Without the NMTC, it would have been nearly impossible for them to finance the $125 million new facility which will retain and create jobs in Northern Michigan. Another OFN member, the Florida Community Loan Fund, has used an $8.4 million NMTC allocation to help finance a new teen center in Belle Glade. Belle Glade is one of the most impoverished communities in Florida with high unemployment, gang and drug activity and a violent crime rate that is four times the national average. The new facility will be used by the Boys and Girls Clubs of Palm Beach County to provide academic enrichment programs, technology-based career training, mentoring, and nutrition classes to 900 teens a year.

As you are aware, the NMTC is set to expire at the end of this calendar year without Congressional action. The NMTC has provided over $90 billion in total financing and created more than 1 million jobs since its creation in 2000.1 The NMTC was created in 2000 with bipartisan support and is administered by the CDFI Fund at the Department of the Treasury to stimulate economic activity in underserved communities by providing a Federal tax credit for investments in qualified business or economic development projects.

The CDFI Fund allocates tax credit authority through a competitive application process to certified Community Development Entities (CDEs), specialized financial intermediaries with on the ground

expertise about community needs. CDEs offer tax credits to investors in exchange for equity, which is then used to make loans and investments to businesses operating in distressed areas. The flexible, affordable financing provide to businesses often has more favorable terms and conditions than the market typically offers. Investors, in return, receive a tax credit equal to 39 percent of the total Qualified Equity Investment (QEI) made in that CDE. The credit is realized over a seven-year period: 5 percent annually for the first three years, and 6 percent in years four through seven.

The impact of these credits is substantial: NMTCs have supported the construction of 51 million square feet of manufacturing space, invested in 114 business incubators, supported 529 schools or other education projects, supported nearly 300 grocery stores and fresh food projects, and invested in over 300 Federally Qualified Health Centers. Through those health centers and the over 800 hospitals and other healthcare facilities, over 17.6 million patients have been served by facilities financed with NMTC. In the recently awarded 2018 allocations, $682 million will be invested in rural areas and over 13 percent of the allocatees are Minority CDEs. In addition, every allocatee in the 2018 round of allocations have committed to surpassing the regulatory requirement for the minimum percentage of investment in low-income communities, which will result in at least $450 million in investment beyond what is required under the program. This level of commitment demonstrates the value of the program and its effectiveness in the communities it is targeted to serve.

Further, the credit is targeted to reach underserved communities and encourages investment decisions to be made at the community level, allow local decisions making over which projects to finance to have the greatest impact. More than 72 percent of NMTC investments have been in communities exhibiting severe economic distress either with unemployment rates more than 1.5 times the national average, poverty rates of 30 percent or more, or median income levels at or below 60 percent of the area median.

The credit is also an efficient use of federal resources. NMTC provides a return on investment to the federal government, and the federal tax revenue generated by NMTC investments more than pays for the cost of the program. For example, in 2015 the NMTC allocations were used to generate $15.2 billion in economic activity, which resulted in $872 million in Federal tax revenue. This revenue exceeded the cost of the program in that year by $113 million, providing a 15 percent return to the Federal government. In addition to the Federal tax revenue generated, for every $1 invested by the Federal government, the NMTC Program generates over $8 of private investment.

The NMTC program retains broad, bipartisan support in Congress. Senators Roy Blunt (R-MO) and Ben Cardin (D-MD), along with Representatives Terri Sewell (D-AL) and Tom Reed (R-NY), have

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3 Id at 1.

4 CDFI Fund NMTC Program Award Book CY 2108, [https://www.cdfifund.gov/Documents/New%20Markets%20Tax%20Credit%20Program%20Award%20Book%20for%20Calendar%20Year%202018.pdf](https://www.cdfifund.gov/Documents/New%20Markets%20Tax%20Credit%20Program%20Award%20Book%20for%20Calendar%20Year%202018.pdf)

5 NMTC Coalition, The Impact of New Markets Tax Credit Investment, [https://nmtccoalition.org/fact-sheet/](https://nmtccoalition.org/fact-sheet/)


7 Id at 4.
introduced The New Markets Tax Credit Extension Act of 2019 (S. 750/ H.R. 1680) to make the NMTC permanent. Together, the bills have garnered over 100 cosponsors between the two chambers. In the Senate, the cosponsors include nine members of the Senate Finance Committee. The legislation will:

- Increase the NMTC allocation to $5 billion and index future allocations to inflation
- Provide NMTC investors with relief from the Alternative Minimum Tax
- Make the NMTC permanent

OFN strongly supports the reauthorization effort and the New Markets Tax Credit Extension Act.

The NMTC Program is an effective, targeted and flexible economic development tool with a proven track record of generating economic activity in underserved communities. OFN urges you to make this important and impactful tax credit permanent. If you have any questions or would like to discuss the NMTC or OFN’s work to bring capital to low-income communities further, please contact me at MSHardwick@ofn.org or by phone at 202.318.0847. Thank you for your work to preserve essential community development tools.

Sincerely,

Mary Scott Hardwick
Senior Associate, Public Policy
Dear Employment and Development Task Force,

As an employer that uses the Work Opportunity Tax Credit, I wanted to share with you the importance of making the program permanent. WOTC encourages us to seek out and hire those who are eligible. We find that with a little extra effort on our part, those who are eligible become valued members of our team. WOTC encourages us to focus on individuals whom we might not otherwise consider. This program makes a positive difference and should be made permanent.

Sincerely,

Richard Hartman
HR Director
The Employment and Development Task Force
Employment&Development_Taskforce@finance.senate.gov

The past five years that WOTC has been in effect have encouraged employers such as us (who we work with) to focus on hiring those who are eligible. The certainty provided from not having to worry as to whether WOTC will be in effect at the end of the year has allowed us to intensify our efforts to hire those eligible and as a result we have increased WOTC hiring significantly. Specifically, we changed our custom applicant tracking software to include WOTC questions to take potential eligibility into consideration when making hiring decisions.

That the program is scheduled to expire at the end of the year is of major concern to us and will have a direct impact on our hiring. WOTC should be made permanent.

Warm regards,

Craig Mathes
Vice President of Safety & Human Resources
Empowerment Zones were established to help encourage economic development and jobs in economically distressed communities. One of the key incentives provided in these communities that helps to insure that those who reside in the designated areas are not passed over and moved out is the Empowerment Zone hiring incentive. The hiring credit provides an enhanced hiring tax credit (over the traditional Work Opportunity Tax Credit) of 20% of the first $15,000 in wages for businesses located in the zone who hire people who live in the designated area. This encourages employers who do business in these areas to make an extra effort to hire people who live in those communities. This helps to insure that the people that Empowerment Zones were designed to help rise up out of poverty do so. I want to urge you to make both WOTC and the Empowerment Zone hiring incentive permanent.

Jane Moss, CPA
Chief Financial Officer
Viking Range, LLC
111 Front Street
Greenwood, MS 38930
(662)451-4135 office
(662)392-2623 cell
June 13, 2019

The Employment and Development Task Force

VIA EMAIL: Employment&Development_Taskforce@finance.senate.gov

Grassley, Chuck (IA), Chairman
Crapo, Mike (ID)
Roberts, Pat (KS)
Enzi, Michael B. (WY)
Cornyn, John (TX)
Thune, John (SD)
Burr, Richard (NC)
Isakson, Johnny (GA)
Portman, Rob (OH)
Toomey, Patrick J. (PA)
Scott, Tim (SC)
Cassidy, Bill (LA)
Lankford, James (OK)
Daines, Steve (MT)
Young, Todd (IN)

Wyden, Ron (OR), Ranking Member
Stabenow, Debbie (MI)
Cantwell, Maria (WA)
Menendez, Robert (NJ)
Carper, Thomas R. (DE)
Cardin, Benjamin L. (MD)
Brown, Sherrod (OH)
Bennet, Michael F. (CO)
Casey, Robert P. (PA)
Warner, Mark R. (VA)
Whitehouse, Sheldon (RI)
Hassan, Margaret Wood (NH)
Cortez Masto, Catherine (NV)

Honorable Senators;

As a minority and woman owned employer, that uses the Work Opportunity Tax Credit, we at AHA Huts, LLC, want to share with you the importance of making the program permanent. WOTC encourages us to seek out and hire those who are eligible. We, as employers, find that with a little extra effort on our part, those who are eligible become valued members of our team. WOTC encourages us to focus on individuals whom we might not otherwise consider. This program makes a positive difference and should be made permanent.

As an employer, we are pleased when we can both make a contribution to our community and make our business more competitive in the marketplace. The Work Opportunity Tax Credit helps AHA Huts, LLC, to do exactly that. It encourages us to focus on hiring those who are on public assistance programs whom, all things being equal, we would be less inclined to hire because they don’t have the work experience we would normally be seeking in an employee. The tax incentive provided provides the extra resources we need to help
those eligible to become successful employees. At the same time, we feel that we are doing something to help people transition from dependency on government assistance programs to self-sufficiency. We have seen how those who we hire through WOTC gain self-confidence and a more positive outlook on life. Having that first job helps them to believe in themselves and the prospect that they will be able to even better for themselves and their families over time. This is a program that works for everyone and it should be made permanent.

Best regards,

Lisa Albert
Owner & Chief Executive Officer

Isoke Harris
Owner & Chief People Officer
To Taskforce Members-

As a Minnesota employer that uses the Work Opportunity Tax Credit, I wanted to share with you the importance of making the program permanent. WOTC encourages us to seek out and hire those who are eligible. We find that with a little extra effort on our part, those who are eligible become valued members of our team. WOTC encourages us to focus on individuals whom we might not otherwise consider. This program makes a positive difference and should be made permanent. We appreciate your consideration in maintaining a program that has a far reaching impact with many employers across many, many fields of expertise.

Thank you for your work to continue this program, it is truly appreciated.

Keri Solheid, CFO

Bamco, Inc
Mankato, MN
Community Development Task Force,

I am writing to you as the Secretary of the National Employment Opportunity Network, and as a Tax Consultant who works with large employers across the country that utilize the Work Opportunity Tax Credit (WOTC). I want to urge you to make the program permanent. WOTC encourages our employer clients to focus on individuals that they might not otherwise consider, and this program makes a positive difference and should be made permanent. The certainty provided by permanence of the program will allow employers to intensify efforts to hire those eligible, and the fact that the program is scheduled to expire at the end of the year is of major concern to us and will have a direct impact on our hiring. WOTC should be made permanent, and we are asking that you help make sure that WOTC continues uninterrupted.

Thank you,
Jess

Jessica LeDonne, J.D. | Economic Incentives Manager
M: 585-738-7840 | E: jessica.ledonne@fadv.com
We Are Your First Advantage | www.fadv.com
On behalf of the approximately 140,000 members of the National Association of Home Builders (NAHB), we respectfully submit this statement discussing the significance and impact of several expired and expiring tax extenders. NAHB strongly supports a number of the expired and expiring tax extenders, including specifically:

- Section 163 Mortgage Insurance Premium Deduction
- Section 45L Credit for Energy Efficient New Homes
- Section 25D Tax Credit for Power Production Property
- Section 25C Credit for Qualified Energy Efficiency Improvements
- Section 179D Energy Efficient Commercial Buildings Deduction
- Section 108 Mortgage Forgiveness Debt Relief

We believe these tax provisions should be extended and made permanent.

NAHB’s members are increasingly frustrated by the lengthy lapses Congress has allowed to occur with the tax extenders. While Congress has retroactively approved the extenders after every past lapse, that offers no guarantee for the future. The builders who utilize these tax credits face the difficult decision of whether to continue to offer the benefits of these credits to their customers without knowing if there will be a credit to claim at the end of the year. This decision is made more difficult due to the incredibly small margins most builders currently operate on. NAHB believes that Congress should not be placing businesses and consumers in the position of guessing the future. Following on the heels of the successful efforts to reform the tax code, Congress has an obligation to create a degree of tax certainty.
Section 163 Mortgage Insurance Premium Deduction

As housing affordability is a growing concern in many communities across the country, NAHB supports efforts to reduce the cost of homeownership. This includes retaining the deduction for mortgage insurance payments, including premiums paid for insurance associated with Federal Housing Administration-backed loans and private mortgage insurance.

Currently, the reduced market share of first-time home buyers is a notable weakness in the housing market. While the market share of first-time buyers has improved in recent years, downpayment accumulation remains one of the biggest financial hurdles to homeownership. First-time buyers typically have a smaller downpayment and are more likely to pay mortgage insurance. Therefore, extension of this deduction reduces the cost of homeownership for these new home buyers.

Section 45L Credit for Energy Efficient New Homes

NAHB also supports the section 45L tax credit which provides a $2,000 credit to builders of new homes that exceed a minimum energy code specification (2006 International Energy Conservation Code plus supplements) by at least 50% in both heating and cooling efficiency. The efficiency performance must be independently verified by an authorized energy rater. Although this credit has suffered from start-and-stop issues of short-term and retroactive extensions over the last five years, the 45L program has managed to deliver the market transformation results that Congress intended to encourage.

While claims of the Section 45L credit have grown exponentially, further adoption may be limited by two restrictions imposed under current law. NAHB recommends that Congress enact technical changes to deal with these barriers.

First, the credit cannot be claimed against alternative minimum tax (AMT) liability. As the home building industry is largely comprised of small builders operating as pass-thrus (80% of NAHB builder members are organized as pass-thru entities), many home builders have historically been trapped in AMT status year after year. Recent changes to the AMT calculation as part of the Tax Cuts and Jobs Act offer a short period of relief for many home builders, but those AMT changes will expire after 2025. Because this credit is claimed by the builder, the AMT limitation has effectively deterred some small builders from participating in the program. NAHB believes that home buyers and renters will be better served if Congress allows all home builders to take advantage of the Section 45L tax credit by allowing it to be claimed against the AMT.

It is also critical that any AMT fix include a retroactive element that allows “credits determined” to the beginning of the program to be claimed against AMT. For those builders who constructed 45L-eligible homes in good faith but have been unable to claim the credit, a retroactive fix is the fairest approach.

In addition to the AMT, Section 45L(e) requires a basis adjustment by the builder when claiming the tax credit. The basis adjustment poses unique challenges to a builder due to the nature of the home building businesses. Generally, builders may construct homes on a speculative or non-speculative basis. Custom-built homes are generally constructed on a non-speculative basis and typically with the eventual
home owner acting as the “builder” (owning the lot and the building materials) and the home builder acting as a general contractor providing the service of construction.

The IRS has taken the position that homes built on a non-speculative basis may not qualify for the program because the builder does not own the property and therefore cannot reduce basis. Moreover, IRS Notice 2008-35 makes it clear that the eventual home owner cannot claim the credit as the “builder” because the 45L credit cannot be claimed for a home in which the taxpayer will reside.

NAHB does not believe that Congress intended to exclude non-speculative homes from the tax credit. The ideal solution would be to eliminate the basis adjustment. Realizing this change would result in a revenue impact, NAHB recommends Congress look to a solution that preserves the basis adjustment while allowing all eligible homes to qualify for the credit.

Specifically, NAHB recommends borrowing a fix for a similar issue with the commercial energy efficient building deduction, Section 179D. This deduction also requires a basis adjustment but allows the deduction to be claimed by someone other than the building owner in certain cases. Specifically, Section 179D(d)(4) authorizes the Secretary to issue regulations to allow the deduction to be claimed by “the person primarily responsible for designing the property in lieu of the owner,” for certain government-owned buildings.

45L could and should be modified to allow the tax credit to be claimed by the general contractor in custom home building, non-speculative building situations (ones in which the owner of the home and lot will be the eventual home owners, thereby ensuring the tax credit is consistent with its operation as a general business credit under Section 38). This could be accomplished by granting the Secretary authority similar to that under 179D(d)(4). The ultimate fix could then be done via regulation and would not require modifying the existing basis rules. Custom home builders are the leaders in Green Building, and excluding them from the 45L program reduces the scope and policy effectiveness of the tax credit.

Utilization of the tax code to promote energy efficiency and consumer savings is the most effective opportunity to truly shape an efficiency policy that is not punitive to the housing market as a whole, and creates jobs as a result. The use of the tax code to incentivize energy efficiency in buildings has a long history of bipartisan support. Much like other environmental rules and regulations, efficiency requirements are expensive, and ultimately the consumer bears the brunt of those costs. Credits like 45L offer an alternative to costly mandates through meaningful incentives.

Section 25D Tax Credit for Power Production Property

The Bipartisan Budget Act of 2018 restored geothermal, small wind, and fuel cells as qualifying property, along with solar. This 30 percent tax credit is scheduled to phase-out after 2021, and completely expire after 2022. NAHB is grateful that Congress has restored geothermal, small wind, and fuel cells to parity with solar technologies in the tax code. We strongly believe the tax code should not favor one technology over another.
This tax incentive encourages the retrofitting and construction of homes that produce their own power. Alongside conservation, on-site power production provides an economic benefit because it reduces power loss through transmission. According to the Department of Energy Information Administration (EIA), “annual electricity transmission and distribution losses average about 7% of the electricity that is transmitted in the United States.”¹ For this reason, 25D is smart long-term energy policy.

**Section 25C Credit for Qualified Energy Efficiency Improvements**

NAHB also strongly supports the section 25C tax credit for consumers who undertake certain energy efficient upgrades. Because of this simplicity, the 25C tax credit has been enormously effective in reaching the middle-class households Congress intended: 93% of those who claim it make less than $200,000 (based on 2009 tax data).

Although today’s homes are significantly more energy efficient than just a few decades ago, nearly 70 percent of the homes and buildings were built before the introduction of modern energy codes in 1991. Due to the enormous potential for American families to save thousands of dollars in energy costs each year, promoting an effective efficiency policy at the federal level is essential. The families that live in the oldest, least-efficient homes often cannot afford the upfront costs of energy retrofits and upgrades without meaningful incentives. Additionally, the most-efficient new homes far outpace the older stock, but at a premium that is quickly pricing out families from longer-term energy savings in new housing. A federal policy that combines effective incentives for existing home owners to improve the efficiency of their homes, which has the added benefit of fostering job creation in the construction sector, is responsible and necessary for addressing two of the biggest household expenses facing today’s families: housing and energy.

**Section 179D Energy Efficient Commercial Buildings Deduction**

The 179D tax incentive, which offers a $1.80 per square foot tax deduction to make commercial buildings, including multi-family residential, 50% more energy efficient (above code). The 179D incentive is a very smart way to encourage efficiency. First, it does not choose winners and losers. It offers a product and technology neutral incentive that provides builders and owners the flexibility to select materials and products that are the most cost effective and that best suit their collective needs.

Secondly, it corrects an unintended consequence of the existing tax code. Businesses currently deduct typical operating expenses from their taxes, including utility bills, so the higher the bill, the higher the deduction. In this way, businesses are offered a greater tax benefit for using more energy. The 179D deduction offsets these benefits. By qualifying for the deduction, not only would energy efficiency be incentivized, but these buildings would have lower utility bills, thus reducing the deduction taken for business expenses (energy use).

**Section 108 Mortgage Forgiveness Debt Relief**

¹ DOE – EIA FAQ document: http://www.eia.gov/tools/faqs/faq.cfm?id=105&t=3
Section 108 of the tax code required cancelled debt to be treated as taxable income. This section ensures that taxpayers do not avoid the gift tax through debt that is subsequently forgiven. However, Section 108 has had unfortunate consequences on financially-struggling home owners.

A home owner facing imminent foreclosure has few options, but the preferred option is for the home owner to reach an agreement with their lender to avoid foreclosure. In certain circumstances, the lender and borrower may recognize that it is in everyone’s interest to reduce the home owner’s mortgage principle owed, thereby reducing the home owner’s monthly payments. But this agreement would trigger Section 108, requiring the home owner to treat the debt forgiven as taxable income. For this reason, this is often referred to as “phantom income.”

For home owners struggling to a point where the lender is willing to forgive part of their mortgage principle, they are almost certainly not in a position to afford an additional tax bill on the value of the forgiven debt. This is why NAHB supports providing home owners with mortgage forgiveness debt relief, which allows home owners to escape this tax burden when debt is forgiven on their principal residence.

Conclusion

Home building is an industry driven by small, often family-owned businesses. Small business owners cannot afford to gamble on whether a tax credit will be extended retroactively. The uncertainty created by the recent history of extending these tax provisions retroactively unfairly places small business owners between a rock and hard place. NAHB is pleased that the Senate Finance Committee is looking at these important tax provisions and urges Congress to move swiftly to either provide a long-term extension of these tax extenders, or preferably make them permanent.
April 2, 2019

Dear Chairman Neal, Chairman Grassley, Ranking Member Brady and Ranking Member Wyden:

We, the undersigned organizations, are writing to express our support for the continuation of the Work Opportunity Tax Credit (WOTC), and urge you to enact a seamless, permanent extension of the program prior to its expiration on December 31, 2019.

Our organizations represent a wide variety of constituencies, industries, employers and stakeholders. We have seen the positive impact WOTC has on local communities by encouraging employers to hire individuals who face significant barriers to employment.

WOTC is a cost-effective, anti-poverty hiring incentive that contributes to economic growth by helping structurally unemployed individuals move off public assistance and into the workforce. This helps reduce individuals’ dependence on entitlement programs and results in substantial savings for federal and state governments.

In particular, the most recent five-year extension of the program enacted in 2015 significantly increased hiring by employers of individuals on public assistance programs, veterans and people with disabilities. According to the Department of Labor’s most recent statistics, over 2.2 million WOTC certifications were issued in fiscal year 2018 compared to 1.3 million in fiscal year 2014.

We appreciate your past efforts in support of WOTC and urge you to act in a timely manner on a permanent extension of this important program.

Sincerely,

Associated General Contractors of America
American Staffing Association
Citizens United for Rehabilitation of Errants (CURE) International
Colorado-CURE
Feeding America
Goodwill Industries International, Inc.
iFoster
Paralyzed Veterans of America
Partners for Rural America
Legal Action Center
National Grocers Association
National HIRE Network
National Employment Opportunity Network
National Puerto Rican Chamber of Commerce
National Restaurant Association
Retail Industry Leaders Association
Society for Human Resource Management
On behalf of the Affiliated Tribes of Northwest Indians (ATNI), please consider these comments as the Taskforce develops recommendations on the future of various expired and soon-to-be expired federal tax credits. My comments will focus on the New Markets Tax Credit (NMTC) program, a popular financing tool for economically distressed communities, including Indian tribes in the Pacific Northwest.

ATNI Supports a Permanent Extension of the NMTC Program

The NMTC program provides a flexible way of attracting financial investment to economically distressed communities, including Indian lands. Several ATNI member tribes have used the NMTC program to finance a variety of projects. These include the replacement of the only commercial fishing dock within the Port of Neah Bay, which is vital to the fishing operations of the Makah Tribe and other non-tribal commercial fishing interests. The Confederated Tribes of the Colville Reservation similarly utilized NMTCs to finance its construction of the Lucy F. Covington Government Center in Nespelem, Washington. The new government center centralized the Tribes’ various programs under one roof and has improved service delivery to tribal members.

Congress retained the NMTC program when it enacted the Tax Cuts and Jobs Act of 2017 and preserved its current authorization through the end of calendar year 2019. The NMTC program has a proven track record for attracting private investment capital to some of the nation’s most distressed communities, including Indian tribes. For these reasons, ATNI joins other stakeholders in recommending that the Committee provide a permanent extension of the NMTC program.

The Committee should pursue the Modest Reforms in the ADVANCE Act to Improve Utilization of the NMTC Program in Indian Country

While some Indian tribes have been able to effectively utilize NMTCs for infrastructure and other projects, Indian country continues to have the lowest utilization of NMTCs of the economically distressed communities that the program was intended to benefit. To remedy this, ATNI supports the modest, no-cost reforms to the program set forth in Aiding Development of Vital Assets in Native Communities and Environments Act, or the “ADVANCE Act.”

Introduced in the 115th Congress as H.R. 3129 and soon to be reintroduced in the 116th Congress, the ADVANCE Act would increase utilization of the program in Indian country in three ways:
it would direct the CDFI Fund to provide proactive outreach and training to underserved communities, including Indian country;

(2) it would memorialize an incentive currently in the application to receive a NMTC allocation for those Community Development Entity (CDE) applicants that commit to making investments in Indian country; and

(3) to the maximum extent practicable, it would require the CDFI Fund to ensure that at least one CDE whose primary mission is to fund projects within or that benefit Indian country receives an allocation in each round.

When the legislation was initially developed, the CDFI Fund itself suggested the outreach and training component of the bill. The second component is intended to memorialize a current incentive the CDFI Fund has included in the application that treats the commitment by a CDE to invest in Indian country as an “innovative use.” CDE applications that commit to innovative uses score slightly higher when the CDFI Fund determines the size of any allocation they may receive.

Finally, the third component of the bill would ensure that at least one CDE committed to pursuing projects in Indian country or that directly benefit Indian country receives an allocation in each allocation round. Unless such an entity that has a motivation to seek out and consider projects in Indian country receives an allocation, few NMTCs will be utilized in Indian country in a given allocation round.

The need for at least one CDE that primarily serves Indian country to receive an allocation was recently underscored when the CDFI Fund released its list of allocates for the 2018 allocation round on May 23, 2019. Disappointingly, neither of the two CDEs whose mission is to provide NMTC financing to Indian country projects, Travois and the Chickasaw Nation Community Development Endeavor, received an allocation. The denial came in light of the fact that both entities had previously received allocations from the CDFI Fund and have established track records of service.

The National Congress of American Indians and ATNI have both passed resolutions supporting the ADVANCE Act.¹ We are unaware of any opposition to the legislation and strongly encourage the Committee to adopt the reforms contained therein this Congress.

Sincerely,

Leonard Forsman, President

On behalf of the Affiliated Tribes of Northwest Indians (ATNI), please consider these comments as the Taskforce develops recommendations on the future of various expired and soon-to-be expired federal tax credits. My comments will focus on the New Markets Tax Credit (NMTC) program, a popular financing tool for economically distressed communities, including Indian tribes in the Pacific Northwest.

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- [Continue text]
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Sincerely,

Leonard Forsman, President

Dear Task Force Members,
As an employer, we are pleased when we can make a contribution to our community and make our business more competitive in the market place at the same time. The Work Opportunity Tax Credit program helps us to do exactly that.

It encourages us to focus on hiring applicants who are utilizing public assistance programs. All things being equal, we might be less inclined to hire those applicants because they often do not have the work experience we normally seek in an employee. The tax incentive provides the extra resources we need to help those eligible to become successful employees. At the same time, we can feel confident that we are doing something to help people transition from public assistance dependency to self-sufficiency. We have seen how those who we hire through WOTC can gain self-confidence and a more positive outlook on life. Having that first job can help them to believe in themselves and the prospect that they will be able to provide for themselves and their families over time. While we understand that we may be taking a risk when hiring candidates who have historically relied on public assistance, this program offers the reward that makes it worthwhile by affording us resources we might otherwise not have to focus on training entry level workers, which makes it a win for both us and our employees.

Additionally, studies by Dr. Peter Cappelli, Professor of Management at The Wharton School and Director of Wharton’s Center for Human Resources, demonstrated that the US saves close to $18,000 net of the credit in public assistance costs for each individual brought into the workforce as a result of the WOTC incentive. Over the ten year budget cycle this translates into close to $150 billion on the Federal level and $40 billion to state governments.\(^1\)

It is our understanding that this task force has the power to recommend making WOTC a permanent program and we encourage you to do so on our behalf.

\(^1\) The 2017 Tax Cuts and Jobs Act and the Work Opportunity Tax Credit; July 2018; Peter Cappelli, George W. Taylor Professor of Management, The Wharton School, University of Pennsylvania

Best Regards,

Dan Gettemy
Burger King Franchisee
Dear Task Force Members,

As an employer we are pleased when we can make a contribution to our community and make our business more competitive in the marketplace at the same time. The Work Opportunity Tax Credit program helps us to do exactly that. As a WOTC consultant we are also able to enjoy helping other employers do the same.

We see how WOTC encourages our clients to focus on hiring applicants who are utilizing public assistance programs and assisting them in becoming independent, self-sufficient and able to support themselves and their families. The tax incentive realized with the WOTC affords employers opportunities to direct resources toward training and developing new hires who might not otherwise be considered due to the high cost of training. Our clients have come to count on WOTC to help their bottom line and it sometimes can mean the difference between staying in business or not. We have also seen how having the WOTC program approved longer term has encouraged employers to continue participation and feel more confident in the program and in taking the risk of hiring those applicants who are often difficult to employ.

Studies by Dr. Peter Cappelli have demonstrated that the US saves close to $18,000 net of the credit in public assistance costs for each individual brought into the workforce as a result of the WOTC incentive. Over the ten year budget cycle this translates into close to $150 billion savings on the Federal level and $40 billion to state governments.¹

We understand that this task force has the power to recommend making WOTC a permanent program and we encourage you to do so on our behalf.

¹The 2017 Tax Cuts and Jobs Act and the Work Opportunity Tax Credit; July 2018; Peter Cappelli, George W. Taylor Professor of Management, The Wharton School, University of Pennsylvania

Best Regards,

Stacey S May
Partner
HKP
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The Employment and Development Task Force
Employment&Development_Taskforce@finance.senate.gov

As an employer, I am pleased when I can both make a contribution to my community and make my business more competitive in the market place. The Work Opportunity Tax Credit helps me to do exactly that. It encourages me to focus on hiring those who are on public assistance programs whom often don't have the same qualifications as other candidates. The tax incentive provides the extra resources needed to help those eligible to become successful employees!

At the same time, I feel that InnoSource is doing something to help people become more self-sufficient. Entering the workforce helps people to believe in themselves and the prospect that they will be able to better themselves while employed. This is a program that works for everyone and it should be made permanent.

Sincerely,

[Signature]

Stephen J. Smith
CFO
June 14, 2019

Employment and Community Development Task Force  
Senate Committee on Finance  
Washington, DC 20510

Dear Senators Portman, Cantwell, Scott, Cardin, Lankford, Brown, Young, and Cortez Mastro:

Thank you for the opportunity to present my thoughts on the American Samoa Economic Development Credit.

American Samoa has been a proud and faithful territory of the United States. The island often yields the highest rate per-capita of military enlistment of any State or territory. In addition to its many cultural and commercial contributions, American Samoa has been invaluable to the U.S mainland as a strategic outpost in the Asia-Pacific region.

American Samoa depends on its tuna canning industry, the territory’s largest private employer and economic driver. With roughly 2,300 workers, the tuna cannery in Pago Pago is the largest private sector employer in American Samoa.

Beginning with the passage of the Tax Relief and Health Care Act of 2006, American Samoa has benefitted from a possession tax credit under now-section 30A of the Internal Revenue Code. This provision—designed to encourage investment in the U.S. insular areas and create jobs by reducing federal taxes on income earned by qualifying corporations—helps offset some of the competitive disadvantages faced by the tuna canning industry. This provision has ensured that the cannery companies do not relocate to foreign countries and take with them thousands of jobs and millions of dollars in economic activity.

Without Congressional intervention to extend the 30A provision, it will be difficult for the tuna cannery industry to remain competitive and continue to operate in American Samoa. The loss of the tuna cannery industry in American Samoa would create a financial crisis from which the island’s economy may never recover.

Congress recognizes the financial crises that can arise when the economic challenges facing U.S. territories are not adequately addressed at the outset. I ask for your support in permanently extending the proven 30A provision, thereby avoiding the annual renewal process and providing economic security in American Samoa.
Thank you for your careful consideration of the American Samoa Economic Development Credit and your continued commitment to the economic wellbeing of the United States and American Samoa. Please do not hesitate to contact my office should you have any questions.

Sincerely,

[Signature]

Aumua Amata C. Radewagen

cc: Senator Tim Scott, Senator Benjamin Cardin, Senator James Lankford, Senator Sherrod Brown, Senator Todd Young, Senator Catherine Cortez Masto
Dear Task Force Members,

As an employer, we are pleased when we can make a contribution to our community and make our business more competitive in the market place at the same time. The Work Opportunity Tax Credit program helps us to do exactly that.

It encourages us to focus on hiring applicants who are utilizing public assistance programs. All things being equal, we might be less inclined to hire those applicants because they often do not have the work experience we normally seek in an employee. The tax incentive provides the extra resources we need to help those eligible to become successful employees. At the same time, we can feel confident that we are doing something to help people transition from public assistance dependency to self-sufficiency. We have seen how those who we hire through WOTC can gain self-confidence and a more positive outlook on life. Having that first job can help them to believe in themselves and the prospect that they will be able to provide for themselves and their families over time. While we understand that we may be taking a risk when hiring candidates who have historically relied on public assistance, this program offers the reward that makes it worthwhile by affording us resources we might otherwise not have to focus on training entry level workers, which makes it a win for both us and our employees.

Additionally, studies by Dr. Peter Cappelli, Professor of Management at The Wharton School and Director of Wharton’s Center for Human Resources, demonstrated that the US saves close to $18,000 net of the credit in public assistance costs for each individual brought into the workforce as a result of the WOTC incentive. Over the ten year budget cycle this translates into close to $150 billion on the Federal level and $40 billion to state governments.¹

It is our understanding that this task force has the power to recommend making WOTC a permanent program and we encourage you to do so on our behalf.

¹ The 2017 Tax Cuts and Jobs Act and the Work Opportunity Tax Credit; July 2018; Peter Cappelli, George W. Taylor Professor of Management, The Wharton School, University of Pennsylvania

Regards,

Jim Ryan
Owner Operator
Veteran Owned and Operated

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Improving The Quality of Life for Those We Serve

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Best Regards,

Sandra Bullock RN, BSN, BSBA
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website | newsletter | email

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Regards,

Charles Brown
Owner

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in Home Care & Assistance

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June 14, 2019

The Honorable Rob Portman
United States Senator
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Maria Cantwell
United States Senator
511 Hart Senate Office Building
Washington, DC 20510

Dear Senators Portman and Cantwell,

Thank you for the work you have undertaken as Co-Leads of the Employment and Community Development Taskforce to examine temporary tax provisions, including the New Markets Tax Credit (NMTC). Finding long-term solutions to these temporary tax policies is an important goal, both to achieve the desired benefits of those policies as well as to increase the efficiency of our policymaking process.

Since it was established in 2000, the NMTC has become an important tool for encouraging long-term growth and investment in distressed communities by providing private investors with a 39 percent credit over 7 years against federal income taxes for investments made in eligible Low-Income Communities. Such communities are generally defined as having a poverty rate of at least 20 percent, or having a median family income that does not exceed 80 percent of the area median family income.

Since the NMTC does not target a specific type of business or sector, the projects that have received support are as varied as the needs of the communities served: healthcare centers, manufacturing expansions, childcare centers, grocery stores, and many other projects in retail, food, housing, technology, and energy. These are all projects that have difficulty attracting traditional financing. Moreover, as attested by the Treasury Department’s CDFI Fund, which administers the allocation process for the NMTC, the loans and investments made through the NMTC are made on better rates and terms than through the market.

Over its nearly two-decade existence, the NMTC has proven its success: over $49 billion in direct NMTC investment has created about 1 million jobs. These NMTC investments leveraged more than $95 billion in total to finance revitalization projects in communities with high poverty and unemployment rates. In addition, decision-making on these NMTC projects is at the community level, ensuring that projects meet local needs.
For these reasons, I was pleased to introduce the *New Markets Tax Credit Extension Act of 2019* with Senator Ben Cardin [D-MD] to make the NMTC a permanent tool for economic development. Permanence would give all the stakeholders – businesses, Community Development Entities (CDEs), and the targeted communities themselves – the certainty to plan for the allocation process and implement the credit. It is also critical that the credit not be allowed to lapse given the nature and timing of the allocation process that is conducted by the Treasury Department. In the event of such a lapse, it is unlikely that Treasury would proceed with the next allocation round, preventing many projects from moving forward.

S. 750 would also make two significant improvements to the tax credit. First, the bill would exempt NMTC investments from the Alternative Minimum Tax (AMT). This change would attract new investors who are currently deterred by the AMT.

Second, the bill increases the annual NMTC allocation from $3.5 billion to $5 billion, and indexes the allocation to inflation in future years. This increase would allow the benefits of the credit to be dispersed more widely, reaching new areas of the country and new CDEs within states. In the most recent round of allocations announced last month, 214 community development organizations from across the country had applied for allocations, for a total demand of nearly $14.8 billion in credits. With $3.5 billion in available NMTC allocation, just 34 percent of the organizations received credits despite pipelines of projects waiting for this vital and highly competitive financing.

The *New Markets Tax Credit Extension Act of 2019* enjoys strong bipartisan support, with 23 cosponsors in the Senate. The bill’s House counterpart, led by Congresswoman Terri Sewell [D-AL] and Congressman Tom Reed [R-NY], enjoys similar strong support, with 82 cosponsors.

Regrettably, the purpose of – and need for – the NMTC has not changed since 2000. Distressed urban and rural communities have a continuing need for capital to fund development projects. Such projects often must be financed by assembling various funding sources. Without the NMTC, one key catalyst for such funding would be lost.

For these reasons, I respectfully request your support for the continuation of the New Markets Tax Credit, and for making the credit permanent.

Sincere regards,

[Signature]

Roy Blunt
U.S. Senator
Dear Senate Finance Committee Task Force on Employment and Community Development:

I am writing to you today in support of the Work Opportunity Tax Credit program.

I am a Cleveland, OH based accounting firm who helps several hundred small businesses (mainly located in Ohio) participate on the WOTC program. The employers we work with are committed to WOTC and they hire structurally unemployed individuals. By hiring from this population, they are contributing to economic growth as these folks move into the workforce and off of public assistance.

This results in substantial savings for both the Federal and State governments.

The program is growing in size. In FY 2014, there were 1,300,000 WOTC certifications. In FY 2018, there were 2,200,000 WOTC certifications!

I urge your committee to enact a permanent extension of WOTC prior to the program expiration on 12/31/19.

Thank you for your consideration!

Scott A. Bilsky  
Executive Vice President  
SimTax, Inc.  
2446 Cedarwood Road  
Cleveland, OH 44124  
Phone: (440) 473-0999  
Fax: (440) 473-0777  
www.simtaxusa.com
To: The Employment and Development Task Force

As an employer with operations based in 4 states (WA, ID, OR, and NV) that has participated in the Work Opportunity Tax Credit for many years, I wanted to share with you the importance of making the program permanent. WOTC encourages us to seek out and hire those who are eligible. We find that with a little extra effort on our part, those who are eligible become valued members of our team. WOTC encourages us to focus on individuals whom we might not otherwise consider. This program makes a positive difference and should be made permanent.

After years of worrying whether WOTC would be extended or expire at the end of the year, the last five years have been a major relief. This works for everyone involved and Congress should make sure that it never expires again. The best way to achieve that is to make WOTC permanent. It is my understanding that this task force has the power to recommend that the program be made permanent and I want to encourage you to do so.

Sincerely,

Eric Hughes

Partner/VP HR
Columbia Basin Pizza Hut Inc.
Emerald City Pizza LLC
Las Vegas Pizza LLC
Spokane Valley Pizza LLC
NMTC Coalition Submission
Senate Finance Employment and Community Development Task Force
Request for Information on the New Markets Tax Credit
June 17, 2019

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The New Markets Tax Credit (NMTC) was established in the Community Renewal Tax Relief Act of 2002 (PL 106-554). The intent of the NMTC is to make patient, flexible commercial capital available for businesses, facilities, and revitalization projects in communities left behind by the economic expansion of the 1990s. These forgotten farming towns, urban neighborhoods, and post-industrial suburbs lacked access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies.

Nearly two decades later, the NMTC is doing precisely what was intended. Since 2003, the NMTC has delivered more than $95 billion in total project financing to nearly 6,000 projects and businesses and creating over million jobs at a cost the government of less than $20,000 per job.

The NMTC targets low-income communities, defined as census tracts with poverty rates of at least 20 percent and median incomes not exceeding 80 percent of the area median. However, most projects are located in communities far exceeding the statutory requirements for poverty. In 2017, 83 percent of NMTC activity was in communities with poverty rates of at least 30 percent, median income no higher than 60 percent of area median or unemployment at least 1.5 times that national average.

In order to deliver capital to eligible, underserved “new markets,” the NMTC authorizing statute created a new category of investment intermediary, Community Development Entities (CDEs), certified by the CDFI Fund at the Department of Treasury. A CDE must be a domestic corporation, have a demonstrated mission of serving or providing capital to low-income communities or people, and maintain accountability to residents of low-income communities through representation on a governing or advisory board to the CDE. Most CDEs are mission-driven affiliates of organizations such as CDFIs, for-profit entities, community development corporations, state or local government entities, or private financial institutions.

CDEs implement NMTC by assembling a business plan to finance high-impact businesses and revitalization projects in low-income areas and applying for allocation to the CDFI Fund. Upon receiving an allocation CDE’s market the Credit to investors who invest in the CDE. The CDEs then use the proceeds from that investment to finance business and projects in low-income census tracts.

A recent independent compliance report by Summit Consulting found that 100 percent of CDEs were in compliance the statute and regulations, and that CDEs are successfully lowering the cost of
capital for businesses in low-income communities while far-exceeding the statutory requirements for distress.¹

Today, the need for patient, flexible capital is as great as ever in low- and moderate-income rural, urban, and native areas, which continue to be underserved by commercial lenders.

“The reasons for limited access to debt and equity capital are many. They include discrimination, to be sure, but they also concern the presence of financial institutions, regulation, credit profiles, and geography. Rural areas can lack sufficient deal flow to sustain a local lending presence, which in turn can lead to limited economic growth. This problem has been exacerbated as financial institutions have failed and subsequently merged or closed bank branches both before and following the Great Recession.”²

The number of community banks in the United States has declined by an average of 300 per year over the past 30 years, according to data from the Federal Deposit Insurance Corporation. At the same time, federal sources of capital for economic and community development have dwindled. According to data from OMB, as measured as a percentage of GDP, federal spending for community development—including programs at HUD, Agriculture, Commerce, and Interior—has fallen by 80 percent since 1980³.

Persistently poor urban areas, like Baltimore, continue to face challenges in securing capital. A 2018 analysis found that between 2011 and 2016, low-poverty areas of Baltimore received 1.5 times the investment per capita than high-poverty areas. Commercial loan volume was five times larger (per household) in tracts where African American people made up less than 50 percent of residents.⁴

In Central Missouri, a recent series of articles on the rural divide and poverty in the Columbia Tribune noted that “51,000 impoverished people in an eight-county region of mid-Missouri, people who may struggle to pay for medication, rent, food or bills each month, according to U.S. Census data.” The report notes that in 1989, Boone County had the highest poverty rate in the region. From 1989 through 2017, thanks to a lack of local resources, “the poverty rate increased in five of the seven counties adjacent to Boone while it fell within Boone County.”⁵

The Office of the Controller of Currency found that residents of Indian Country⁶ face challenges securing commercial credit, including “limited access to brick-and-mortar offices of regulated financial institutions; the perception by tribal business enterprises, even those with adequate collateral and good credit histories, that commercial bank financing is difficult to secure; a lack of diversity in funding sources; a lack of equity resources, collateral, and credit history, resulting in commercial credit denials for Indian small business owners.”

³ OMB Historical Tables.
⁴ “Racial Segregation and Investment Patterns in Baltimore.” https://apps.urban.org/features/baltimore-investment-flows/
2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

**Statutory changes:**
The Community Renewal Tax Relief Act authorized the initial NMTC allocation from 2001 to 2007 and made a total of $15 billion in credit authority available over those seven years. Since that time, Congress has extended the NMTC several times:

- The *American Jobs Creation of 2004 (PL 108-357)* established a targeted populations eligibility criteria, allowing the use of the NMTC in census tracks not designated as low-income in cases in which there the project provided a benefit to low-income populations. The law also made low-population census tracts within Empowerment Zones eligible if they were contiguous to another qualified census tract. Neither provision has made a major impact on the NMTC;

- An additional $1 billion was authorized for communities hard-hit by Gulf Coast hurricanes, *Gulf Opportunity Zone Act of 2005 (P.L. 109-135)*;

- In 2006, Congress extended the NMTC for 2008 at $3.5 billion in annual credit authority through the *Tax Relief and Health Care Act of 2006 (P.L. 109-432)*. Beyond the extension, the law amended the NMTC statute to require that non-metro areas receive a proportional share of investments. The non-metro share of the population is 15 percent, and NMTC investments in these rural communities have remained at or around 20 percent for several years. In 2017, 23 percent of NMTC projects were in rural areas. The 2018 awards, made in late May 2019, indicate that at least $682 million (19.4 percent) of the total will be prioritized to rural areas;

- The *Emergency Economic Stabilization Act of 2008 (P.L. 110-343)* extended the Credit for 2009, again at $3.5 billion in annual credit authority;

- The *American Recovery and Reinvestment Act of 2009 (P.L. 111-16)*, increased credit authority to $5 billion for both 2008 and 2009;

- The *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (P.L. 111-312)* provided a two-year extension of the NMTC (2010 and 2011) with annual credit authority of $3.5 billion;

- The *American Taxpayer Relief Act of 2012 (P.L. 112-240)* provided a two-year extension of the NMTC (2012 and 2013) with annual credit authority of $3.5 billion;

- The *Tax Increase Prevention Act of 2014 (P.L. 113-295)* extended the NMTC for 2014 at $3.5 billion in annual credit authority; and

- Most recently, the *PATH Act (P.L. 114-113)* extended the NMTC for five years, from 2015 to 2019, at $3.5 billion in annual credit authority. The *PATH Act* was the longest authorization for the NMTC since the *Community Renewal Tax Relief Act* and, at $17.5 billion, the largest in the history of the Credit.

These changes have allowed the NMTC to continue to meet the capital needs of economically distressed communities, incenting investments that grow businesses and create jobs in places where they are needed most.

**Administrative changes:**
Over the years, the CDFI Fund has adopted changes to the NMTC allocation application that have driven more financing to areas of extreme distress. Between 2003 and 2015, approximately 74 percent of NMTC projects were in severely distressed communities, and that figure increased to 83

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7 Ibid
percent in 2017. The agency has also expanded data collection to more effectively measure the impact of NMTC transactions in low-income communities, and CDEs receiving NMTC allocation awards must now submit more than 175 data points on each transaction. Further, award winners must sign an allocation agreement with the CDFI Fund, which requires them to meet the metrics and benchmarks they laid out in their application.

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

Congress designed the NMTC to be flexible and meet the evolving needs of communities. While the program maintains its core purpose, it also responds to emerging external economic trends in ways might be pleasantly surprising to policymakers who drafted the original legislation. A few examples:

a) The program proved an effective tool for disaster relief. Disasters hit some of America’s most vulnerable communities the hardest. After Hurricane Katrina, community development organizations played an important role in rebuilding and strengthening communities already struggling with poverty and unemployment before the storm, including the construction of thousands of new affordable, single-family homes. Many of the same organizations, including the Houston Food Bank, North Dallas Food Bank, and Metropolitan Ministries in Tampa were on the ground, providing direct assistance to the families and communities affected by the unprecedented flooding and destruction of Hurricanes Harvey and Irma. The program has also helped more than a dozen communities recover from devastating floods and tornadoes.

b) Nearly 100 rural hospitals have closed since 2010. During the same period, the NMTC financed 102 rural health and dental clinics, hospitals, and medical facilities, including the financing of 7 new rural dental clinics serving nearly 50,000 additional low-income patients in rural Oregon.

4) As currently drafted, does the provision achieve its stated purpose?

"The New Markets Tax Credit Program, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, is incorporated as section 45D of the Internal Revenue Code. This Code section permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments in qualified community development entities. These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities."

-IRS Section 45D, Chapter 1

There is no question that the NMTC achieves its purpose. The numbers speak for themselves. The NMTC has delivered an unprecedented level of investment to America’s low-income communities. To date, $49 billion in NMTC allocation delivered over $95 billion in total project financing to low-income communities at a cost to the federal government of only $12.7 billion.

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8 NMTC Coalition’s 2018 Progress Report (June 2018).
9 “The NMTC as a Disaster Relief Tool.” https://nmtccoalition.org/disaster-relief/
The NMTC Coalition’s Economic Impact report, an analysis of the direct, indirect, and induced effects of the NMTC between 2003-2015, found the following:

| From 2003 to 2015 | 1. The NMTC supports job and business creation investments created 1,013,837 jobs in low-income rural and urban communities, including 459,294 temporary construction jobs and 554,545 full-time equivalent jobs in nearly every industry sector of the economy;  
2. The federal tax revenue generated by NMTC investments more than pays for the cost of the program. For example, in 2015, the NMTC generated $15.2 billion in economic activity, and this activity created $872 million in federal tax revenue. This revenue was more than enough to cover the $759 million annual cost of the program in 2015, and provide an annual return of $113 million, or 15 percent.  
3. By stabilizing and revitalizing local economies, the NMTC helps boost tax revenue for state and local governments. NMTC investments generated $6.7 billion in state and local tax revenue, including $502 million in 2015 alone;  
4. The NMTC enhances community revitalization efforts by financing community facilities many affluent communities take for granted. The NMTC financed nearly 2,000 community services and facilities, including more than 300 Federally Qualified Heath Centers (FQHCs) and hundreds of nonprofit service providers, substance abuse treatment facilities, and day care centers;  
5. After more than a decade of investments, the NMTC has touched the lives of millions of individuals, from the 17 million patients served by NMTC-financed healthcare projects, to the nearly 250,000 students and children attending NMTC-financed schools or cared for in early-childhood learning centers; and  
6. Over the years, as the program matured, an increasing share of NMTC financing went to areas experiencing severe economic distress, including rural communities. The program shifted away from retail and general purpose real estate toward healthcare, manufacturing businesses, and other projects with greater overall economic impact.  

The most recent analysis of reporting data by the Department of Treasury found the NMTC generated over 39,000 direct jobs in 2017, which includes:

- **Northwest Alaska**: 100 construction jobs and 13 permanent, quality jobs created by the TERRA (“Terrestrial for Every Region of Rural Alaska”) project, which establishes broadband internet access and directly connects the five Inupiat Eskimo communities of Buckland, Noorvik, Selawik, Kiana, and Noatak, Alaska with the internet backbone. The project also upgraded broadband services for 18 schools, 15 health clinics, and 1,728 individuals.  
- **Sylacauga, AL**: 570 high-quality manufacturing jobs, supported through the financing of a modernized plant for Nemak USA, a manufacturer of fuel-efficient auto parts. After the plant was forced to close in 2016, the NMTC helped bring hundreds of jobs back to rural Sylacauga.  

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12 The Joint Committee on Taxation consistently scores the NMTC at a cost of 26 cents for every dollar of allocation.  
• **Pine Bluff, AR**: 68 permanent jobs and 150 construction jobs at Highland Pellets, a new processing plant in rural Arkansas, which lost 53,000 manufacturing jobs between 2000 and 2010.14

• **Atlantic, IA**: 23 permanent jobs and 116 construction jobs through the adaptive reuse of the historic Whitney hotel into mixed-income housing with retail and office space.

• **Tilghman Island, MD**: 10 permanent jobs at Phillips Wharf Environmental Center, an innovative oyster aquaculture incubator on Tilghman Island serves as a national model for traditional working waterfront communities seeking to strengthen the local economy.

• **Seminole, OK**: 150 permanent jobs as part of an expansion of the Blue Wave and Silver Wave Boats manufacturing operation.

• **Cuyahoga, OH**: 25 new permanent jobs and 256 construction jobs through the expansion of a wire rod production facility.15

• **Cincinnati, OH**: 91 permanent jobs and 384 construction jobs at Jobs Café, one component of the rehabilitation and new construction of a mixed-use office, residential, and business incubation space.16

• **St. Louis, MO**: 300 new jobs at 4220 Duncan, a 180,000 sq. ft. mixed-use redevelopment of the former Custom Steel processing plant site. The project is part of the Cortex Innovation Community, a tech innovation hub, and it also includes a ‘Maker Space’ for building with 3-D printers and a ‘Garage’ for developing new software.17

In 2017, the NMTC promoted material improvement for the lives of low-income residents through the financing of 145 community facilities nationwide, including:

• **Denver, CO**: Vida at Sloan’s Lake Medical & Senior Activity Center, a multi-purpose building containing an activity center for senior citizens, a community health center and a kidney dialysis clinic. The project is co-located with affordable housing, supporting 175 very-low-income seniors, and the dialysis and health center will serve hundreds of patients annually.18

• **Lafayette, IN**: Northend Community Center, a multi-facility, faith-based community center campus where 14 community partners co-locate and support thousands of members of the surrounding community. Tenants include a youth activity center, with a capacity of 75; a senior center; homeless shelter; a free pet clinic; center for adults with disabilities; car repair for low-income individuals; Head Start facility; meals on wheels; and many more.19

• **Las Vegas, NV**: Construction of a 40,000 sq. ft. library and community space that includes a 300-seat events venue, English language and other classes, Workforce Connections job search help for more than 1,000 individuals, and culinary and nutrition programs.20

• **Portland, OR**: The Garlington Center, a Certified Community Behavioral Health Clinic, adjacent to 52 units of low-income housing. The health center plans to serve 1,000 patients annually21

15 NMTC Coalition’s Survey of 2017 CDE Activity.
16 Ibid.
17 “4220 Duncan.” http://www.crossstpartners.com/project/4220-duncan/
18 www.csh.org/portfolio/vida-at-sloans-lake-denver-co/
20 https://knpr.org/knpr/2017-02/30-million-east-las-vegas-library-set-site-old-housing-project
21 https://www.cascadiabhc.org/tax-credits/
• Philadelphia, PA: The NMTC-financed development and operation of Browns, an approximately 58,000 sq. ft. grocery facility. The project expanded affordable food access for 248,458 low-income individuals.22
• Tacoma, WA: Development of Eastside Community Center Tacoma, a 55,000 sq. ft. facility operated in connection with Boys & Girls Clubs of South Puget Sound. The facility allows the Boys & Girls Club to double the number of children it serves every day.23

Summit Consulting was commissioned by the CDFI Fund to conduct the most recent evaluation of the program. Their 2017 report found 100 percent compliance; CDEs are using the NMTC to lower the cost of capital in low-income communities; and CDEs are targeting areas of deep economic distress, far exceeding the program requirements. 24

5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

It is imperative that Congress act this year to ensure communities and businesses are not left in the lurch when the PATH Act authorization expires. The single most important action Congress can take to improve NMTC, is to provide a permanent authorization by enacting the New Markets Tax Credit Extension Act of 2019 (S. 750/H.R. 1680). In addition to permanency, it also increases annual credit authority to $5 billion, and provides an adjustment for inflation in the out-years and an exception from the Alternative Minimum Tax (AMT) for NMTC investments.

By making the NMTC permanent:
1.) The investor base will expand;
2.) Pricing will improve, thereby getting more patient, flexible capital of business and projects; and
3.) Planning and implementation of the NMTC by communities, businesses, and Community Development Entities (CDEs) will be strengthened, providing stability for industry growth.

In the 19 years since the enactment of the NMTC, Congress has extended the credit seven times. Lack of a permanent authorization and the “one foot on the gas, one foot on the brake” approach makes it difficult to broaden the NMTC investor base, which would increase competition for credits. This would boost credit pricing and drive even more subsidy to businesses operating in NMTC-qualified communities. It also makes it difficult for communities, businesses, and Community Development Entities (CDEs) to plan and implement the Credit.

Over the years, Congress has made improvements to the Low-Income Housing Tax Credit (LIHTC), which increased efficiency, broadened the investor base, and enhanced the government’s investment, and these changes may also help sustain and improve NMTC pricing.

In 1993, seven years after establishing the Low Income Housing Tax Credit (LIHTC), Congress made it a permanent part of the Internal Revenue Code. The result: with greater investor certainty,

23 https://www.thenewstribune.com/latest-news/article219445995.html
demand spiked, and pricing for housing credits went up. In addition, Congress provided an AMT exemption to LIHTC investors through the Housing and Economic Recovery Act of 2008. This change, along with the economic recovery, eventually strengthened LIHTC prices, with pricing increasing from about 65 cents in early 2010, to almost 94 cents by the end of 2014.\(^{25}\)

NMTC investments are not exempt from the AMT. An exemption, which is included in the NMTC Extension Act of 2019, will diversify the pool of investors who could invest in the NMTC, opening up the market to new investors, including high net-worth individuals. Moreover, making the NMTC permanent would also improve pricing, relieving the uncertainty created by last-minute annual extensions of the Credit.

The primary complaint the Coalition hears about the program from members of Congress, from both sides of the aisle: “Why isn’t there more?” The need in low-income communities is clear, as is the industry’s ability to quickly deploy additional allocation. Indeed, when a late extension delayed the allocation awards in 2015, Treasury combined two award rounds and provided $7 billion. The industry quickly deployed nearly all of that allocation to important projects in economically distressed rural and urban communities across the country.

In the most recent application round, the CDFI Fund awarded 73 CDEs $3.5 billion in allocation, while noting that more than 100 additional CDEs submitted applications rated “highly qualified.” As noted earlier, the decline in the number of private financial institutions, the limited amount of federal community development resources, and the grinding poverty in many urban neighborhoods and rural communities all contribute to the great demand for NMTC. It is an essential element in the toolkit for community revitalization.

6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

A permanent extension of the NMTC could bring more investors to the program, boosting credit pricing and driving even more benefit to businesses operating in NMTC-qualified communities (see the previous answer).

Pricing is one of the best proxies available for measuring the efficiency of the program, and evidence indicates longer extensions increase pricing. In 2015, Congress provided a long-term, five-year extension to the NMTC through the PATH Act. During this time, the average NMTC pricing increased from 83.3 cents in 2014, to 86.6 cents in 2018.\(^{26}\)

Currently, after the longest extension in the program’s history, NMTC pricing is at an all-time high. This outcome provides reasonable evidence that a permanent extension of the NMTC would similarly improve pricing.

7) Are there any other special considerations that you would like to identify relative to this provision?

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\(^{25}\) According to data from Novogradac & Company.

\(^{26}\) NMTC Coalition Survey of CDEs, 2014-2017
a) NMTC and Opportunity Zones

The NMTC Coalition is often asked about the difference between the NMTC and the Opportunity Zones program. The two programs are very different, but complement each other well. Both seek to revitalize distressed communities, but use different tax planning tools and, therefore, different financial products and investors to push private capital into economically distressed areas.

- **Different financial products:** Most NMTC financing lowers the cost of debt for businesses and most projects provide residual benefits after the seven-year credit period. OZ financing is pure equity;
- **Different investor classes:** Most NMTC investors are regulated financial institutions with CRA obligations. OZ investors include any taxpayer with an unrealized capital gain (corporations, high net-worth individuals); and
- **Different risk profiles for projects:** NMTC allocation is capped annually and is awarded competitively to community development organizations that demonstrate community impact. The application process and the scarcity of credits drives NMTC-financing to businesses and economic development projects that would not have been economically feasible without the NMTC benefit, including community facilities, healthcare centers, rural broadband, and mission-driven service providers.

The OZ program is an uncapped incentive designed to make equity capital generally available in targeted areas. Though there are no requirements to do so, socially-focused OZ investors and community development organizations plan to use the OZ program to enhance their community impact. However, OZ investors receive the maximum tax benefit from investments held by an Opportunity Fund (OF) for at least ten years when appreciation of any OZ investments is exempt from the capital gains tax. For this class of investors, OZs are more likely to pursue investments with lower risk profiles than the NMTC.

- **Geographic Targeting:** NMTC is generally available to any eligible census tracts defined by statute. Governors designate up to 25 percent of a state’s NMTC-eligible census tracts for the Opportunity Zone incentive, along with a limited number of tracts contiguous to NMTC-eligible tracts.

b) Retroactive extension?

Congress should act to extend the NMTC before it expires. A retroactive extension of the NMTC (in 2020) would delay billions in financing for health centers, business incubators, daycare centers, and other important revitalization projects for up to two years. Treasury awards NMTC allocations to community development organizations through an annual competitive process. The Department is unlikely to move forward with a 2020 application until Congress reauthorizes the NMTC.

8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?
As noted previously, since its enactment in 2000, the $49 billion in NMTC allocation generated more than $95 billion in project financing in low-income communities. The chief beneficiaries of the NMTC financing are residents of the eligible, low-income communities who benefit from quality jobs, improved services, and economic diversification. Communities have different needs, and the flexibility of the NMTC allows CDEs to target projects that meet those needs:

- **Jobs and economic diversification:** Treasury estimates that the NMTC directly created over 800,000 direct jobs through 2017, and a separate NMTC Coalition study found the NMTC created over 1,000,000 direct, indirect, and induced jobs through 2015. For example: Graniteville, SC, a textile-dependent economy, declined for decades before suffering one of the worst chemical spills in U.S. history when two freight trains collided in the center of town. A damaged local mill was forced to close as a result, but, in 2015, NMTC financing helped bring 100 quality jobs back to Graniteville via an innovative appliance-recycling company, Recleim.

- **Improved Social Infrastructure:** The NMTC has financed over 300 FQHCs. NMTC-financed healthcare projects serve over 17,000,000 Americans. In 2018, the NMTC financed an FQHC in an area of northwest Washington where a dental shortage left 45,000 residents without access to dental services. In 2017, the NMTC financed an early childhood education center in Flint, MI, serving 200 children impacted by the water crisis.

Other notable beneficiaries of the NMTC:

- **Businesses, nonprofits, health clinics, and other revitalization projects eligible areas:** NMTC allocation allows community development organizations to provide flexible financing to qualified projects in a variety of ways, all of which reduce the cost of capital for these businesses. Most NMTC transactions result in residual tax credit equity (20-30 percent of total project cost) left in the business or project after the 7-year compliance period.

- **Investors:** NMTC equity investors (mostly regulated financial institutions) benefit from a 39 percent tax credit taken over seven years, but their chief motivation is to comply with the Community Reinvestment Act.

Geographies benefiting:

- **Eligibility:** Eligible census tracts must have poverty rates of at least 20 percent or median incomes at or below 80 percent of AMI (40 percent of all census tracts). In 2017, 83 percent of projects were located in a narrower range of areas that far exceed the statutory requirements for distress (poverty 30 percent+, income below 60 percent of AMI, or unemployment 1.5x the national average). Those areas account for 30 percent of census tracts nationwide.

- **Rural vs. Urban:** By statute, Treasury must target a proportional share of NMTC allocation to non-metropolitan counties. For example, in 2017, 23 percent of NMTC projects were in non-metropolitan counties.

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27 “FY 2018 NMTC Public Data Release.” Department of Treasury, CDFI Fund.
33 Ibid
June 17, 2019

Dear Senator Cantwell,

As a Washington-based employer, we want you to know that over the years we have hired many WOTC eligible employees. Even in a tight labor market, we have a choice in who we hire, and WOTC helps to level the playing field between more experienced applicants and those who do not have a lot of work history or experience.

Because of WOTC’s last long-term extension, it has been easier to participate than when the program is consistently "on and off". We ask that you do all that you can help WOTC become permanent, or at least get another multi-year extension, before it expires on December 31, 2019.

Sincerely,

Jean S. Jones, CPA
Chief Auditing Officer
Allan Bros Inc.
Yakima Valley Orchards
Sagemoor Vineyards
Office: (509) 653-2625 x 104
June 14, 2019

The Honorable Rob Portman, Co-Chair
The Honorable Maria Cantwell, Co-Chair
Employment & Community Development Taskforce
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

On behalf of the Confederated Tribes of the Chehalis Reservation (Chehalis Tribe), please consider these comments as the Taskforce develops recommendations on the future of various expired and soon-to-be expired federal tax credits. My comments will focus on the New Markets Tax Credit (NMTC) program, a program that the Chehalis Tribe intends to utilize for several planned economic development projects.

The NMTC program provides a flexible way of attracting financial investment to economically distressed communities, including Indian lands. The Chehalis Tribe is located in an economically distressed region of Washington state and is the largest employer in the area. The growth of the Chehalis Tribe’s economic development has outpaced the ability of the local governments to expand infrastructure, such as water and sewer. The Chehalis Tribe plans to pursue partnerships with its local government neighbors to expand these services and is considering the NMTC program as means of financing.

The NMTC program has a proven track record for attracting private investment capital to some of the nation’s most distressed communities, including Indian tribes. For these reasons, the Chehalis Tribe joins other stakeholders in recommending that the Committee provide a permanent extension of the NMTC program.

While some Indian tribes have been able to effectively utilize NMTCs for infrastructure and other projects, Indian country continues to have the lowest utilization of NMTCs of the economically distressed communities that the program was intended to benefit. To remedy this, the Chehalis Tribe has spearheaded efforts to advance modest, no-cost reforms to the program. These reforms are contained in the Aiding Development of Vital Assets in Native Communities and Environments Act, or the “ADVANCE Act.”

Introduced in the 115th Congress as H.R. 3129 and soon to be reintroduced in the 116th Congress, the ADVANCE Act would increase utilization of the program in Indian country in three ways:
(1) it would direct the CDFI Fund to provide proactive outreach and training to underserved communities, including Indian country;

(2) it would memorialize an incentive currently in the application to receive a NMTC allocation for those Community Development Entity (CDE) applicants that commit to making investments in Indian country; and

(3) to the maximum extent practicable, it would require the CDFI Fund to ensure that at least one CDE whose primary mission is to fund projects within or that benefit Indian country receives an allocation in each round.

When the Chehalis Tribe was working with other stakeholders to develop the legislation, the CDFI Fund itself suggested the outreach and training component of the bill. The second component is intended to memorialize a current incentive the CDFI Fund has included in the application that treats the commitment by a CDE to invest in Indian country as an “innovative use.” CDE applications that commit to innovative uses score slightly higher when the CDFI Fund determines the size of any allocation they may receive.

Finally, the third component of the bill would ensure that at least one CDE committed to pursuing projects in Indian country or that directly benefit Indian country receives an allocation in each allocation round. Unless such an entity that has a motivation to seek out and consider projects in Indian country receives an allocation, few NMTCs will be utilized in Indian country in a given allocation round. While several Tribes have accessed this program to finance catalytic community development, many tribal communities remain shut out.

The need for at least one CDE that primarily serves Indian country to receive an allocation was recently underscored when, just last month, the CDFI Fund issued $3.5 billion in NMTC allocations to CDEs across the Country. No CDE whose primary mission is to serve Indian Country was included on this list. At least two CDEs with a primary mission of serving Indian Country, both of whom have received and deployed NMTCs successfully in the past, applied for a total of $125,000,000 of allocation and received $0. Sadly, the majority of this $125,000,000 in allocation authority will not go to Indian country. This means that tribal health centers, substance use treatment facilities and small businesses that will go without financing and fail to move forward in 2019.

According to the CDFI Fund’s own study, Access to Credit and Capital in Native Communities, investing in Indian Country requires cultural competency and familiarity with the market. CDEs whose primary mission is something other than Indian Country will be less likely to source Native transactions. Even when they use NMTCs to finance them, the lack of underwriting systems adapted to the unique contours of Indian Country will result in fewer transactions overall, higher transaction costs and decreased economic impact in the corners of the US that need it most.
The National Congress of American Indians and ATNI have both passed resolutions supporting the *ADVANCE Act*.\(^1\) We are unaware of any opposition to the legislation and strongly encourage the Committee to adopt the reforms contained therein this Congress.

Sincerely,

\[Signature\]

Harry Pickernell, Sr., Chairman  

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CONFEDERATED TRIBES
of the
CHEHALIS RESERVATION

June 14, 2019

The Honorable Rob Portman, Co-Chair
The Honorable Maria Cantwell, Co-Chair
Employment & Community Development Taskforce
Senate Committee on Finance
219 Dirksen Senate Office Building
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While some Indian tribes have been able to effectively utilize NMTCs for infrastructure and other projects, Indian country continues to have the lowest utilization of NMTCs of the economically distressed communities that the program was intended to benefit. To remedy this, the Chehalis Tribe has spearheaded efforts to advance modest, no-cost reforms to the program. These reforms are contained in the Aiding Development of Vital Assets in Native Communities and Environments Act, or the “ADVANCE Act.”

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Sincerely,

[Signature]

Harry Pickernell, Sr., Chairman

June 17, 2019

The Honorable Rob Portman, Co-Chair
The Honorable Maria Cantwell, Co-Chair
Employment & Community Development Taskforce
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

On behalf of the Confederated Tribes of the Colville Reservation ("CCI" or the "Colville Tribes"), please consider these comments as the Employment & Community Development Taskforce develops recommendations on the future of various expired and soon-to-be expired federal tax credits. My comments will focus on the New Markets Tax Credit ("NMTC") program, a program that the CCT has successfully utilized and plans to continue utilizing in the future.

In 2013, the CCT’s tribal administration burned to the ground and was a total loss, displacing many tribal governments employees throughout the CCT’s agency campus. The building had been constructed in the early 1970s and the Colville Tribes government had, over the years, outgrown the building. In the aftermath of the fire, the CCT embarked on a project to rebuild, this time with a large, modern building that would accommodate the growth of the CCT for decades to come.

Ultimately, the CCT finalized plans for a $45.8 million-dollar project to construct a 160,000-square-foot building that would house all the Colville Tribes’ programs and services under one roof for the benefit of our tribal members. The CCT was fortunate to have been able to use $6 million in equity from the NMTC program, a financing source that will provide the CCT with significant debt savings over the life of the loan. The new building was completed in the fall of 2015.

In 2017, the Colville Tribes’ leadership formally dedicated the building as the "Lucy F Covington Government Center," after the former Colville leader from the 1960s and 1970s who was instrumental in the fight against the proposed termination of the Colville Tribes. We understand that the Lucy F. Covington Government is the largest tribal administrative complex for a single tribal government in the United States.

The NMTC program provides a flexible way of attracting financial investment to economically distressed communities, including Indian lands. As the CCT’s experience demonstrates, the NMTC program has a proven track record for attracting private investment capital to some of the nation’s most distressed communities, including Indian tribes. The Colville Reservation is in one of the most economically distressed parts of Washington state. Despite being the largest employer in the area, obtaining private financing has proven difficult. For these reasons, the CCT joins other stakeholders in recommending that the Committee provide a permanent extension of the NMTC program.
While some Indian tribes have been able to effectively utilize NMTCs for infrastructure and other projects, Indian country continues to have the lowest utilization of NMTCs of the economically distressed communities that the program was intended to benefit. To remedy this, the Colville Tribes has supported efforts to advance modest, no-cost reforms to the program. These reforms are contained in the *Aiding Development of Vital Assets in Native Communities and Environments Act*, or the “ADVANCE Act.”

Introduced in the 115th Congress as H.R. 3129 and soon to be reintroduced in the 116th Congress, the *ADVANCE Act* would increase utilization of the program in Indian country in three ways:

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3. to the maximum extent practicable, it would require the CDFI Fund to ensure that at least one CDE whose primary mission is to fund projects within or that benefit Indian country receives an allocation in each round.

The CDFI Fund itself suggested the outreach and training component of the bill. As the Colville Tribes can attest, structuring a NMTC project requires significant technical support and we utilized a consultant to assist in structuring the financing package. Additional technical assistance would help all of Indian country.

The second component is intended to memorialize a current incentive the CDFI Fund has included in the application that treats the commitment by a CDE to invest in Indian country as an “innovative use.” CDE applications that commit to innovative uses score slightly higher when the CDFI Fund determines the size of any allocation they may receive.

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The need for at least one CDE that primarily serves Indian country to receive an allocation was recently underscored when, just last month, the CDFI Fund issued $3.5 billion in NMTC allocations to CDEs across the Country. Not a single CDE whose primary mission is to serve Indian Country was included on this list. At least two CDEs with a primary mission of serving Indian Country, both of whom have received and deployed NMTCs successfully in the past, applied for a total of $125,000,000 of allocation and received $0. Sadly, the majority of this $125,000,000 in allocation
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The National Congress of American Indians and ATNI have both passed resolutions supporting the *ADVANCE Act*. We are unaware of any opposition to the legislation and strongly encourage the Committee to adopt the reforms contained therein this Congress.

Sincerely,

Rodney Cawston
CHAIRMAN

cc: Congresswoman Cathy McMorris Rodgers
Congressman Dan Newhouse
Senator Maria Cantwell

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June 17, 2019

The Honorable Rob Portman  
Co-Chair, Task Force for Employment and Community Development  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Maria Cantwell  
Co-Chair, Task Force for Employment and Community Development  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Senator Portman and Senator Cantwell:

CSH appreciates the opportunity to provide feedback to the Senate Finance Committee on existing tax provisions scheduled to expire. We strongly urge the Committee to permanently extend the New Markets Tax Credit (NMTC) by advancing the New Markets Tax Credit Extension Act of 2019 (S.750)

What We Do

CSH is a national non-profit and Community Development Financial Institution that works with communities across the country to create supportive housing – affordable housing connected to health, human services, and community supports – to help individuals and families thrive in their communities. Supportive housing becomes a platform from which extremely low income individuals and families can access services such as healthcare, education and job training. These services are essential for keeping people who lived on the streets for years housed and healthy. Our financing tools, advocacy efforts and technical expertise are responsible for the creation of over 335,000 supportive housing units that have become stable homes and transformative springboards for individuals and families facing many challenges.

Our Success with NMTC

While affordable housing is the cornerstone for our efforts, ensuring that the individuals and families have access to other services is paramount to their successes. CSH has received five NMTC allocations totaling $235 M in credit allocations to finance 16 projects and counting that serve low income, high-health need individuals that are homeless or at risk of homelessness. These projects include: 1) community health centers, 2) projects that offer supportive services including social, healthcare, educational, food security and/or workforce development programs; and (3) mixed-use projects with onsite supportive housing and the uses specified above. Our goal is to strengthen connections between
housing and services, and CSH offers free technical assistance and training to our borrowers to help further those connections.

Overall Need for and Impact of NMTC

CSH offers the following responses to the questions posed by the Task Force in its consideration of the extension of NMTC:

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The basis for the NMTC is that businesses’ success depends on access to capital. There are attractive investment opportunities in low-income communities, but the cost and availability of capital in these ‘New Markets’ is an impediment to economic growth. Investors and firms often lack sufficient information to assess property value or consumer demand in low-income communities, where informal economies distort data. The capital gap in underserved markets impedes the construction or renovation of community facilities and revitalized industrial and commercial facilities that would create jobs, economic opportunity and improve the quality of life.

Fifteen years after the NMTC’s inception, the need for patient, flexible capital is as great as ever in low and moderate income rural, urban, and native areas underserved by commercial lenders and largely forgotten by policymakers in Washington, DC. A 2011 study by the Initiative for a Competitive Inner City found that “firms in low-income census tracts received 21 percent fewer loans than would be expected, based on the number of firms in the tracts,” even with a healthy demand for capital and an untapped consumer base. As a result, many inner city neighborhoods are under served in terms of retail, job opportunity, and other basic health and social services forcing residents to leave their neighborhoods to shop, work, and access critical services.

The NMTC has a strong and proven track record in meeting the capital needs of low-income communities. Between 2003 and 2014, $38 billion in direct NMTC investments were made in businesses. In turn, these NMTC investments leveraged nearly $75 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment. By law, all NMTC investments must be made in economically distressed low income communities or to provide jobs and services for low income persons or residents. However, more than 72 percent of all NMTC investments have been in communities exhibiting severe economic distress, including unemployment

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1 CDFI Fund’s FY 2015 Agency Financial Report
2 NMTC Coalition Estimate
rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median.

4) As currently drafted, does the provision achieves its stated purpose?

Yes, CSH believes that the NMTC achieves its stated purpose to help enhance community revitalization efforts by financing community facilities providing critically important services. Between 2003 and 2014, more than 1,400 NMTC projects involved community amenities like healthcare facilities, schools, nonprofit service providers, and childcare centers. A 2013 Urban Institute study examined the extent to which the NMTC helps communities add amenities, improve services, and finance community facilities. The study found that 88 percent of NMTC projects brought direct or indirect quality-of-life improvements to their communities, including shopping centers, health clinics, and other amenities. The same study also found that NMTC investments created or retained 135,970 permanent jobs and 151,304 construction jobs between 2003 and 2007.

6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

The temporary nature of the program creates uncertainty in the market and makes it difficult for developers and CDEs to plan for the funding to carry out and maximize the full intent of the program. Moreover, potential businesses that would be the end beneficiaries of the program are also left in a precarious position when considering NMTC financing and trying to access other financing that may be required, especially in the year approaching the program’s sunset.

For example, NMTC financing was provided to the nonprofit Central City Concern (CCC) for the construction of the Blackburn Building in Portland, OR, consisting of a 34,000 SF Federally Qualified Health Center, 51 medical respite beds, a 1,300 SF pharmacy, and a 1,300 SF space for a social enterprise, all financed with NMTCs, co-located with 124 affordable substance use disorder (SUD) units funded with 4% LIHTC bonds. The Project will house and treat very low-income, homeless and medically frail individuals, focusing on those with substance use disorders, responding to the opioid epidemic on the east side of Portland. In spite of the fact that the project received an $11.6M grant from a group of Oregon healthcare providers in support of its “Housing is Health” initiative, and CCC taking on debt of $6.3M to finance the Project, this project would not have been able to move forward in a timely manner to address the opioid crisis without the $9M in net equity that was raised through the NMTC financing to fill the project’s financing gap. Like all FQHCs, CCC serves all patients regardless of insurance status or ability to pay, and the favorable terms offered by the NMTC financing was critical for the realization of this project in order to serve the most vulnerable populations.
8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?

As stated in the response to Question 1, a large majority of NMTC have played a significant role of improving the quality of life in severe economically distressed communities. Specifically, CSH's NMTC investments have:

- Helped to build over 580,000 SF of service space, including nearly 250,000 SF for healthcare;
- Helped to generate a projected 1,600 construction jobs and over 800 permanent jobs;
- Expanded access to primary healthcare, behavioral healthcare, early childhood and adult education programs, and case management services to over 89,000 people annually; and
- Supported the development of over 1,200 housing units, including over 800 Supportive Housing units.

Conclusion

An investment in the NMTC is an investment in individuals, local communities, and the economy. It transforms the lives of millions of Americans through the plethora of services provided by facilities financed through the credit, and it transforms their communities and local economies by serving as a catalyst for broader economic development. We urge the Committee to make NMTC a permanent part of the tax code by enacting S. 750.

We appreciate your consideration of our position and remain available to discuss the NMTC and supportive housing with you at your convenience. Please feel free to contact CSH’s Federal Policy Director, Caitlin Kovalkoski, at 570-881-3477 or Caitlin.Kovalkoski@csh.org.

Sincerely,

Deborah De Santis
President & CEO
CSH

61 Broadway, Suite 2300
New York, New York 10006
csh.org
June 17, 2019

The Honorable Maria Cantwell
United States Senator
511 Hart Senate Office Building
Washington, DC 20510

Dear Senator Portman,

I am writing to you on behalf of Dollar General Corporation and in response to your request for written comments regarding six temporary tax incentives. We appreciate the work that you and Senator Portman are conducting as part of the Employment and Community Development Task Force.

Dollar General benefits from three of the incentives you highlighted: Work Opportunity Tax Credit (WOTC), Indian Employment Tax Credit and the Empowerment Zone Credit. The most meaningful of these credits to Dollar General remains WOTC.

As you may know, Dollar General Corporation is a chain of more than 15,500 company-owned stores that span 44 states employing more than 135,000 people. In 2018 alone, we provided employment opportunities to a significant number of WOTC eligible individuals.

To combat the ever-present retention struggles felt by all retailers, Dollar General is proud to provide meaningful employment opportunities to individuals looking to start or advance their career in our organization. One of our four operating priorities is to invest in our employees as a competitive advantage. To that end, we provide all our employees with robust training and development opportunities that helps support them to be successful at Dollar General. In fact, Training magazine recently named our training and development program as its #1 among its prestigious Top 125 list. Our track record of economic impact and employee growth are also strong. In the past 10 years, Dollar General has added 60,000 net new jobs to the American economy and plans to add 8,000 this fiscal year alone. We also have more than 11,000 current store managers who we promoted from within and employees who begin with Dollar General as a store associate can, on average, be promoted within six months to a lead sales associate and to an assistant store manager within a year. Remaining an employer of choice is an important priority, and we believe employees have the opportunity to build a long-term career at Dollar General.
Dollar General, like most retailers, would welcome making the WOTC program a permanent tax incentive. Like all major public companies, Dollar General must create a fact-based budget for the coming year. In expiration years such as 2019, the WOTC uncertainty along with other tax extenders could impact the future earnings of the company, which in turn impairs our ability to spend on other growth initiatives that benefit our employees, shareholders and the economy at large.

WOTC is an important credit for Dollar General. All of the employees we hire, including WOTC covered individuals, receive world-class training, development and opportunity for career growth. We would respectfully request that you eliminate the uncertainty with this important incentive and make it permanent.

Warm regards,

Kathleen Reardon
SVP & Chief People Officer
Dollar General Corporation
June 17, 2019

The Honorable Robert Portman
United States Senator
448 Russell Senate Office Building
Washington, DC 20510

Dear Senator Portman,

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Warm regards,

[Signature]

Kathy Reardon  
SVP & Chief People Officer  
Dollar General Corporation
20 years ago, I started EmployerIncentives.com when I realized that there were incentives for employers to hire disadvantage workers and that very few companies knew about them.

Many of my current employer contacts are relieved when they realize the financial impact of these credits on their company or personal bottom line. Most take the savings and re-invest in their company or use the savings to improve the payrates of their employees to keep them employed. With minimum wages increasing, many labor intense companies (home health agencies as an example) use the savings to keep their employees.

When I started, I realized that his program is self-funding as hiring someone on public assistance and takes them off the public assistance roles, almost 5 to one in many cases. The company gets a $2,400 tax relief which the government saves much more which includes not paying for the assistance plus the employee is now paying payroll taxes, both of which outweigh the small stipend the company gets for hiring this disadvantaged individual.

Many of my clients are now working with Welfare to Work companies to hire this population and to help them have better lives. Without this incentive, many companies would not go out of their way to find and hire people in these targeted groups.

To me, this is a moral issue and we need to keep the incentives out there for companies to go the extra step and hire people that would qualify, be it WOTC categories, people who live in Empowerment Zones or other depressed areas of a city. This should be made permanent in our tax laws and be a program that can be modified as other needs arise, such as the addition of hurricane relief or other disasters that put people out of work. I truly believe that letting these program expire will underpin job growth and limit small employers from hiring people with challenges to employment.

Sincerely,

Ken Brice, President

EmployerIncentives.com

415 Amwell Rd, Suite 201
Hillsborough, NJ 08844
908-239-5497 (24/7)
KenBrice@EmployerIncentives.com
www.EmployerIncentives.com
June 17, 2019

U.S. Senate Finance Committee
Employment and Community Development Task Force

To Whom It May Concern:

We thank the Senate Finance Committee, and in particular the Employment and Community Development Task Force, for its consideration of the new markets tax credit (I.R.C. 45D). Enterprise Community Partners and Enterprise Community Loan Fund, Inc. are pleased to provide our comments and recommendations on this critical community development tool.

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes and rebuild communities. Since 1982, we have raised and invested $43.7 billion in equity, grants and loans to help build or preserve nearly 585,000 affordable homes in diverse, thriving communities. This includes community investments through Enterprise Community Loan Fund, Inc., a Treasury Department-certified Community Development Financial Institution (CDFI) and one of the largest nonprofit loan funds in the country. Enterprise Community Loan Fund, Inc. has invested more than $1.7 billion in low-income communities and helped to build or renovate nearly 110,000 affordable homes nationwide. Enterprise has placed more than $947 million of NMTC equity in 85 commercial and mixed-use developments in distressed urban centers and rural communities across 23 states and Washington, D.C. Enterprise’s NMTC developments have included rental and for-sale homes, offices, retail, community centers, shelters, health care centers and schools. In each case, our allocation has helped facilitate the completion of a vital local development that otherwise would not have moved forward.

As a proven public-private partnership that leverages private investment to grow local economies, create jobs, and transform neighborhoods, Enterprise urges Congress to make the New Markets Tax Credit (NMTC) a permanent part of the U.S. tax code.

In this memo you will find our responses in order of the questions provided by the Task Force.

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The NMTC was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554) as part of a bi-partisan effort to stimulate investment and economic growth in low income urban neighborhoods and rural communities that lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies.

Since its inception, the NMTC has proven to be an effective, targeted and cost-efficient financing tool valued by businesses, communities and investors across the country. Between 2003 and
2016, NMTC investments directly created more than one million jobs and leveraged nearly $90 billion in capital investment in credit-starved businesses in communities with high poverty and unemployment rates.¹ By law, all NMTC investments must be made in economically distressed communities. NMTCs have been successful at targeting many of the communities with the greatest need; more than 72 percent of all NMTC investments have been in communities exhibiting severe economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median.²

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided an additional $3 billion of NMTC allocation authority. Of this amount, $1.5 billion was made available to CDEs that had applied and scored highly through the 2008 NMTC allocation round but did not receive an allocation, and $1.5 billion was added to the $3.5 billion of NMTC investment authority that was already authorized to be allocated to CDEs through the 2009 application round. With the additional $3 billion in Recovery Act allocation authority, the CDFI Fund was able to increase the volume of NMTC investments in low-income communities by 30 percent over what would otherwise have been available through Congressional authorizations and was able to make NMTC awards to approximately 56 additional CDEs – helping to support economic development projects in more locations across the country.

Enterprise received an allocation of $95 million from the Recovery Act allocation authority. With those funds, Enterprise completed seven investments that resulted in the creation of 1,080 permanent jobs and 1,797 construction jobs.

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

The NMTC has consistently had bipartisan support, but it has also proven to be a critical disaster recovery tool. In recognition of the importance and challenges with disaster recovery, Congress previously enacted an emergency expansion of the NMTC. In the wake of Hurricane Katrina, Congress passed the Gulf Opportunity Zone (GO Zone) Act of 2005, which included a temporary $1 billion expansion of the NMTC. NMTCs were awarded to CDEs targeting the GOZONE in two competitive rounds (2006 and 2007), generating an estimated $2 billion in economic activity and 23,000 jobs in high poverty disaster affected areas of the Gulf Coast.

4) As currently drafted, does the provision achieve its stated purpose?

Yes, from our experience with the NMTC, the program is successfully fulfilling its stated purpose and as a critical community development tool with bipartisan support warrants permanent extension.

² NMTC Coalition. https://nmtccoalition.org/fact-sheet/
5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

Since the NMTC was established, it has been reauthorized numerous times on a bipartisan basis, most recently in the 2015 PATH Act, which extended the NMTC through 2019. Although the NMTC has been successful despite the program’s uncertainty, the temporary nature of the NMTC and forthcoming expiration of this critical tax provision has prevented the NMTC market from reaching its full potential.

In addition to allowing the program to lift-up more distressed communities, permanency would provide stability and certainty to this effective community development tool for low-income communities. NMTC equity pricing would subsequently increase, providing for greater program efficiency and increased leveraging of private capital.

6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

Due to the temporary nature of the NMTC, Enterprise has cautiously maintained a lean staff to administer the NMTC given the uncertainty around the future of the program. While our NMTC team has effectively deployed $947 million of NMTC equity, with a permanent extension of the program we would invest further resources and capacity toward NMTC allocation, which would enable us to further advance the program. With more certainty that the program will exist year-after-year, more CDEs would likely invest in technologies to better track community outcomes and overall make NMTC-related practices more efficient.

Furthermore, we would expect more investors to devote the time and staffing resources required to learn about the program and make investments if they knew the program would continue year-after-year. This may also be true for other industry players with opportunities to engage with NMTCs and/or align other community development programs, including state and local economic development agencies, banks and other sources of private leverage capital, and federal agencies also focused on strengthening both urban and rural low-income communities.

Overall, by making the NMTC permanent, Congress would provide greater certainty to the program, create efficiencies for current industry participants, and incentivize new players into the industry. A more efficient program with increased competition would further benefit the low-income communities targeted with NMTC investments.

7) Are there any other special considerations that you would like to identify relative to this provision?

Currently, there is bipartisan legislation in the House and the Senate to secure the future of the NMTC. Introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD), the New Markets Tax Credit Extension Act of 2019 (S. 750) would permanently extend and strengthen the NMTC.
8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?

The NMTC has demonstrated success as a major generator of investment and job growth in low-income communities in the United States. In addition to the cumulative impacts noted in response to question 1, we are happy to provide highlights from a few of Enterprise’s projects that would not have been possible but for the NMTC:

- **St. Luke’s Phase III (Cleveland, OH).** NMTCs completed the renovation/adaptive reuse of the former St. Luke’s Hospital building into a mixed-use community asset. In addition to senior housing (financed by the Low-Income Housing Tax Credit), building occupants include The Intergenerational School (TIS), a top-performing charter school, the Boys & Girls Club of Cleveland, and four other local nonprofits. Together these organization serve over 375 students per year. The project created and/or retained 70 permanent jobs and 155 construction jobs.

- **HopeWorks Social Enterprises (Everett, WA).** NMTCs funded the construction of a 67,312 square foot mixed-use building that will be completed in September 2019. The ground floor commercial space will provide workforce training facilities, incubator space for job-creating businesses, and office headquarters for HopeWorks. The four upper floors will provide 65 units of low-income rental housing including 57 units of permanent, supportive housing for homeless individuals and families (separately financed). The project created 142 construction jobs and is expected to create 40 new permanent jobs. Training opportunities for up to 60 interns per year will be available to formerly homeless individuals who are residents in various low-income housing developments.

- **Remington Row (Baltimore, MD).** NMTCs funded construction of a 250,000 square foot mixed-use building featuring a health clinic, retail, 108 apartments, and underground parking. The apartments are priced below-market, and 20 percent of the units are affordable to families earning less than 80 percent of area median income. The new development contributes to the overall revitalization of the Remington neighborhood. The health clinic provides over 100,000 patient visits annually. The project created 200 construction jobs and 165 permanent jobs.

As a proven public-private partnership that leverages private investment to grow local economies, create jobs, and transform neighborhoods, we strongly recommend that the New Markets Tax Credit be made a permanent part of the tax code.

For further information, please do not hesitate to contact Sarah Brundage, Senior Director, Public Policy, at sbrundage@enterprisecommunity.org and Chimeka Gladney, Managing Director, Structured Finance, at cgladney@enterprisecommunity.org. We appreciate your consideration of these comments and welcome any future opportunity to work with the Task Force to strengthen the NMTC by making it a permanent part of the U.S. tax code.
The Honorable Rob Portman  
Co-Lead  
Employment and Community Development Task Force  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Maria Cantwell  
Co-Lead  
Employment and Community Development Task Force  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

Employment&Development_Taskforce@finance.senate.gov

June 17, 2019

Dear Senators Portman and Cantwell,

Ernst & Young LLP (“EY” or “we”) appreciates the opportunity to make this written submission in support of the work opportunity credit (“WOTC”). EY has experience with WOTC both as an employer and as a facilitator that has assisted hundreds of employers participate in the tax credit over the past 20 years. Our experience as a third party WOTC administrator is extensive having processed millions of WOTC applications. We believe this experience, along with our role as a Big 4 firm that advises many corporate taxpayers, places EY in a unique position to be able to answer some of the questions being examined by the Employment and Community Development Task Force (the “Task Force”).

To be concise, we are only going to share our point-of-view for questions where we feel our experience will provide the Task Force with meaningful and pragmatic insights. We are certain the Task Force will receive a wide range of feedback from stakeholders on all its questions. Specifically, we are going to focus on answering questions 4, 5 and 6 as follows:

4) As currently drafted, does the provision achieve its stated purpose?

The original purpose of the WOTC and its predecessor program was to encourage and incent employers to hire individuals facing barriers to employment by offering a tax credit for each new hire who met certain certification criteria. While corporate visibility of WOTC could always be improved upon, over the years, we have seen employers execute on the intent of the WOTC program to achieve its stated purposes.
We are going to start with ourselves. In 2016, EY founded our Neurodiversity Center of Excellence ("COE") with the goal to place individuals who are on the autism spectrum into jobs that require specialized knowledge such as robotics, data analytics, and artificial intelligence. Data shows that only one in six autistic adults is in full-time employment.\(^1\) The COE has hired many qualified individuals and grown in size. Several such hires qualify for WOTC because of having completed a state funded vocational rehabilitation program. The tax credit becomes a valuable cost-offset for the training and development involved.

Here are some additional examples of how we have seen employers proactively engaged with WOTC:

- Through the use of electronic Applicant Tracking Systems, employers are able to capture WOTC eligibility by candidate and then pass along this criteria to the branch or store managers in the field—**thus equipping the hiring managers with sufficient information to make a hiring decision based upon WOTC eligibility, while considering other factors in tandem.**

- Many companies have created incentive programs to encourage strong WOTC program participation. These types of programs often include a pass back mechanism designed to redistribute the WOTC to each respective location’s operational statement. **When a location manager experiences the favorable implications of a tax credit hitting the bottom line, that manager is further motivated to proactively hire WOTC-eligible individuals from the community and help fill open positions with local residents.**

- Employers continue to embrace targeted hiring initiatives, such as those focused on veterans, people with disabilities, and youth, for example. We work with companies that design frequent outreach to Community Based Organizations ("CBOs") to build a more robust pipeline of individuals with these particular barriers to employment. Creating and expanding relationships with CBOs and hiring from their targeted populations allows employers to reduce recruiting costs while taking a proactive approach to increasing their WOTC, as well as meeting their diversity and inclusiveness goals. In fact, EY has designed a database technology that currently has over 6,600 CBOs that can be tapped into by employers to proactively list their job openings. The system then disseminates the position to CBOs within a designated geographic circumference around the hiring locations. Also, many of these CBOs can issue conditional WOTC certifications thereby allowing the candidate to come to the job interview with a bona fide WOTC certification in hand.

- In our experience, many companies, particularly staffing companies, express interest in improving the retention of WOTC-eligible individuals, and in turn, mitigating training costs due to the turnover of employees. EY provides ongoing reports that highlight eligible employees, number of hours worked, and number of hours remaining in order to trigger a tax credit equal to 25/40/50 percent of qualified wages. By proactively managing work schedules, these companies can provide employees with additional hours and opportunity while increasing the overall average credit of the WOTC for the employer.

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The WOTC program was designed to break down barriers to entry for candidates in all industries, in companies of all sizes, and in jobs at varying levels of pay. The WOTC program was also designed not just to ensure that members of target groups are hired, but to also ensure that members of target groups who are hired are retained by their employers.

Often, the perception of a program like WOTC can be that it only serves low-wage industries and jobs. However, with the expansion of more target groups being eligible for WOTC (e.g., disabled veterans, long-term unemployed, etc.) as well as the low unemployment rate, a wide range of sectors are now active with WOTC. The following chart illustrates some of the diverse industries of our clients participating in the WOTC program.

Industry Breakout of EY's WOTC Practice

Additionally, across the spectrum of participating employers that we assist, EY has observed that between 6 and 15 percent of applicants that are hired are certified for the WOTC.
While the WOTC program aids candidates who are members of target groups, it has the added value of providing back to government, community, and taxpayers in helping individuals regain their independence from government assistance. Studies indicate that jobs obtained through the WOTC program can add $15,000 to $20,000 of value to the state government per job.2

5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

Potential reforms to the WOTC that would strengthen it and allow it to better achieve its stated purpose include:

- **Making the WOTC permanent** – Making the WOTC permanent would further increase employer adoption, communication, investment in, and hiring of target group members. Permanence would eliminate taxpayer uncertainty and allow taxpayers to more quickly recognize the tax benefit associated with the hiring of

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WOTC-eligible individuals. Additionally, permanence of the program would eliminate administrative cost associated with the Department of Labor as they advise State Workforce Agencies (“SWAs”) on how to process certifications during a hiatus via Training and Employment Guidance Letters.

- **Reliance on self-attestation forms for appropriate target groups** – Allowing SWAs to certify certain target groups based on a self-attestation form signed by the hiring candidate under penalty of perjury would decrease certification backlogs and expedite future certifications for those target groups. An additional benefit would be decreased spend to process these certifications through the SWAs.

- **Expanding the definition of eligible employers to include non-profits without limitation** – Tax-exempt organizations hire a significant number of employees annually. Allowing tax-exempt organizations to fully participate in the WOTC program would incentivize a new population of employers to hire workers from all target groups into meaningful jobs. Tax-exempt organizations could be allowed to use the credit to offset unrelated business income.

6) **How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?**

The WOTC has been extended twelve times, most recently by the Protecting Americans from Tax Hikes Act of 2015, since it was initially enacted. The following timeline depicts the legislative activity that has been required over the years to support the continuance of the WOTC program.

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The WOTC has experienced several periods of legislative hiatus followed by retroactive reinstatement by Congress. These periods of hiatus and reinstatement have resulted in irregular staffing levels at the SWAs issuing the certifications, thus furthering processing delays. For example, the WOTC program expired on December 31, 2014, and was not renewed until the Protecting Americans from Tax Hikes Act of 2015, enacted on December 18, 2015. This legislation retroactively renewed the WOTC from January 1, 2015, through December 31, 2019.

Over the life of the WOTC program, the number of certification requests has increased significantly even despite its temporary nature but the amount of annual funding provided to the SWAs to staff their teams, update their technology for new target groups enacted by Congress, and process certification requests has decreased.

As previously mentioned, we have seen proactive employers make an investment in staff and resources to work with CBOs to train, hire, and mentor economically disadvantaged employees. These employers view WOTC as an important cost-offset to such career development and coaching programs. Thus far, such programs tend to continue to stay in place during hiatus periods since Congress has consistently renewed the tax credit retroactively. Should that not happen, or should the program be allowed to lapse, it is likely that there would be a curtailment of such programs.

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4 In 1997, the number of certifications issued was 126,113. By contrast, the number of certifications issued in 2017 was 2,001,341. See Government Accountability Office, Work Opportunity Tax Credit: Employers Do Not Appear to Dismiss Employees to Increase Tax Credits, 2001, available at: https://www.gao.gov/new.items/d01329.pdf; see also Department of Labor, WOTC Certifications by Recipient Group Regional and National Summaries for Fiscal Year 2017.
Therefore, we believe that eliminating the temporary nature of the current WOTC program by making it permanent will further multiply the program’s impact and help it to meet the needs of many more candidates seeking to enter the job market.

Through its own efforts and its efforts on behalf of its clients, EY strives to make a better working world. EY supports and advocates in favor of the WOTC to be extended or made permanent in continuance of its mission to provide meaningful job opportunities to employees facing barriers to employment.

Yours sincerely,

Ali Master  
Partner, National Director  
Workforce Services

Leigh Messina  
Partner, National Director  
Work Opportunity Tax Credit Services

Attachment

Copy to:  
The Honorable Tim Scott  
The Honorable Benjamin Cardin  
The Honorable James Lankford  
The Honorable Sherrod Brown  
The Honorable Todd Young  
The Honorable Catherine Cortez Masto
June 17, 2019

Dear Employment and Community Development Task Force:

The Task Force requested submissions with the purpose of examining six temporary tax incentives. We praise the efforts by the Senate Finance Committee Employment and Community Development Task Force, not only as it considers making permanent the WOTC credit and IRC, but also for the opportunity in this comment period to enhance the existing WOTC provisions. As a result, we welcome the opportunity to comment, specifically regarding the Work Opportunity Tax Credit (WOTC, IRC Sec. 51) and the Qualified Long-Term Unemployed category.

H-E-B is a 113-year-old retailer and is the largest privately-held employer in Texas with approximately 116,000 employees in its workforce. In the past decade alone, we have added 40,000 employees, whom we call “Partners”. A core value of the company is the belief in people, including our Partners and the communities we serve. H-E-B offers a wealth of career opportunities to our Partners, competitive compensation and benefits programs and comprehensive training that leads to successful careers.

Pursuant to the instructions on your request, our submission is presented in the form of responses to the questions listed by request of the Task Force. See bold font. It is important to note from the onset that one of our major concerns is that some state agencies have unemployment information, by calendar quarters; which is insufficient detail to make the necessary determination that an individual meet the 27 weeks unemployment period.

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

Response:
The WOTC has two purposes: To promote the hiring of individuals who qualify as a member of a target group. To provide a federal tax credit to employers who hire these individuals.

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

Response:

• A hiring category called Long Term Unemployed (“LTU”) was added and allows an income tax credit for hiring individuals that have been unemployed 27 consecutive weeks prior to hiring. IRC §51(d)(15).
• Because some states lack detail of information (in weeks), the state certifications required to claim WOTC are not being issued by some state agencies.
• Such state agencies have unemployment information, by calendar quarters; which is insufficient detail to make the necessary determination that an individual met the 27 weeks unemployment period.
• The U.S. Dept. of Labor issued guidance for the state agencies to release certifications based on self-attestation by the hired individuals¹, if no other form of information is available.
• The above-mentioned guidance does not deliver an effective remedy about the unissued certificates. The consequence is a lower-than-anticipated reinforcement to motivate employers to hire individuals that have been unemployed for an extended period.

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?
   No comment necessary.

4) As currently drafted, does the provision achieve its stated purpose?
   Response: As mentioned in the bullet points on item 2) above, the credit incentives related to WOTC LTU are incompletely afforded to the hiring companies.

5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?
   Response: Yes, a change in the cited rule allowing state agencies to rely on self-attestation (independently of other information) should revitalize the incentive for hiring candidates from the groups, as intended by enacted provisions. Alternatively, a new rule from the Internal Revenue Service empowering the state agencies to issue the required certifications for employers to claim the credit remedy the situation.

6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?
   Response: The language in the cited notice, created an unintended hurdle for some state agencies to be able to issue necessary certifications so that companies can claim a federal income tax credit for giving a job opportunity to individuals from the LTU category.

7) Are there any other special considerations that you would like to identify relative to this provision?
   No comment necessary.

As stated above, one of our major concerns is that state agencies have unemployment information, by calendar quarters; which is insufficient detail to make the necessary determination that an individual meet the 27 weeks unemployment period.

Thank you for the opportunity to submit our comments and for considering our views.

¹ SAF (via IRS Notice 2016-40, TEGL 25-15, TEGL 25-15, Change 1, and TEGL 25-15, Change 2)
1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The Work Opportunity Tax Credit (WOTC) was established to expand job opportunities for individuals facing barriers to employment. The credit has proven to be successful in helping many Americans – including veterans, individuals with disabilities, and public benefits recipients – to secure self-sustaining jobs.

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

Since WOTC was enacted, the “target groups” the credit is intended to support have been gradually expanded – including most recently to include individuals experiencing long-term unemployment. These expansions are consistent to the credit’s original intent (to support individuals facing barriers to employment) and have successfully expanded opportunities for many more individuals that might otherwise have been left behind and/or remained reliant on social service programs.

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

Globalization and automation have made the employment marketplace increasingly competitive, adding to the difficulties that many Americans facing barriers to employment have in securing a living-wage job.

4) As currently drafted, does the provision achieve its stated purpose?

WOTC achieves its purpose and expands opportunities for its currently eligible target groups. It is not, however, presently structured to support the full range of individuals facing barriers to employment – particularly, youth transitioning out of the foster care system, some of the most economically vulnerable young adults in the country.

4) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

WOTC should be expanded so that it benefits youth transitioning out of the foster care system, as called for in legislation introduced by Senators Casey and Portman (S 1651). This population currently experiences an unemployment rate approaching 50% in early adulthood and as a result is heavily dependent on public assistance programs. The government assumes responsibility for the trajectories of these young people when they come into foster care, yet we are too often failing them and consequently their long-term outcomes are currently extremely poor. At the same time, these youth have tremendous potential and connecting them with employment pathways can help them realize their promise and increase their contribution to society.
6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

The temporary nature of WOTC has created uncertainty for employers, making them hesitant to hire individuals for whom the credit may expire. Making the credit a permanent part of the tax code would increase its ability to meet its objectives and would expand opportunities for more Americans facing employment barriers.

7) Are there any other special considerations that you would like to identify relative to this provision?

We would like to see the credit expanded to include youth transitioning out of foster care as a target group (consistent with S 1651), and would like to see the credit made permanent.

8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?

We do not have the exact data for the currently eligible WOTC target groups. However, expanding WOTC for youth transitioning out of foster care as called for in S 1651 would expand eligibility to all youth who were in foster care on or after their 14th birthday through the age of 26. This age range is consistent with the parameters for other federal programs targeting transition age foster youth, including the Chafee Independent Living Program. We do not have reliable data on the exact number of youth who fall into this range, but it is likely in the neighborhood of a few hundred thousand based on data compiled by the Annie E. Casey Foundation for its Fostering Youth Transitions report in 2018 (https://www.aecf.org/m/resourcedoc/aecf-fosteringyouthtransitions-2018.pdf).

We also want to note that many of these youth are already eligible for WOTC through other eligibility pathways, including having received SSI, SNAP or TANF. So the actual population of youth who would be newly eligible is relatively small – and the increased cost to the federal government would be minor. However categorical eligibility is important because it would enable child welfare systems and youth-serving programs to increase their outreach to youth and increase youth awareness about the credit that employers would be eligible for if they were to hire them.
June 17, 2019

Senate Finance Committee
Employment & Community Development Task Force
219 Dirksen Senate Office Building
Washington, D.C., 20510-6200

Dear Employment & Community Development Task Force:

The Low Income Investment Fund (LIIF) is pleased to share comments on the importance of making the New Markets Tax Credit (NMTC) a permanent part of the tax code.

LIIF is a certified Community Development Financial Institution (CDFI) that invests capital to support healthy families and communities. Since 1984, LIIF has provided $2.5 billion in financing and technical assistance in 31 states, leveraging over $12.5 billion in additional private capital and serving more than 2.1 million people. LIIF’s investments have created and preserved 78,000 units of affordable housing; 271,000 child care spaces; 98,000 spaces in schools; and 36 million square feet of community facilities and commercial space. LIIF estimates that our work has created or maintained 159,000 jobs, and generated $65.1 billion in family income and societal benefits. LIIF is a national organization with offices in San Francisco, Los Angeles, New York City, Washington, D.C. and Atlanta.

Like other CDFIs, LIIF’s mission is to raise and deploy private capital to transform low-income communities. By combining loans, grants and technical assistance, we make possible high-impact projects in low-income communities that lack access to traditional bank financing because the transactions are perceived as too risky, costly or small. As detailed below, the NMTC program has significantly enhanced LIIF’s work to provide pathways to opportunity for low income families and communities.

NMTC’S IMPACT

The NMTC is a critical resource for the work LIIF and other CDFIs do to generate new economic opportunities in communities throughout the country. Since 2003, the NMTC has delivered more than $95 billion in total project financing to nearly 6,000 projects and businesses, creating over one million jobs at a cost to the government of less than $20,000 per job. Further, twenty-percent of NMTC projects are in rural areas, and most investments are in severely distressed areas that far exceed the statutory requirements for economic distress.

NMTC is a model public private partnership. For every dollar of revenue forgone by the federal government, the NMTC generates an additional eight dollars. Mission-driven CDFIs like LIIF and other Community Development Entities (CDEs) that comprise the NMTC industry take seriously our role as stewards of public resources. While not required in statute, CDEs apply a “but-for” test to ensure the NMTC is truly needed to make a project financially feasible. This “but-for” test exemplifies the industry’s

1 https://www.liifund.org/calculator-tool/ (Social Impact Calculator illustrating economic impact of project investments in form of increased household income, improved health, long term earnings, etc.)
commitment to best serving low-income communities by determining how much NMTC financing is needed to complete the project and maximize community impact.

As noted in the comments submitted by the New Markets Tax Credit Coalition, the importance of the NMTC has only grown since enactment, given the retreat of commercial lenders from many underserved communities in the wake of the great recession, coupled with long term reductions in federal support for community economic development.²

IMPORTANCE OF NMTC PERMANENCY

Since it was authorized in the Community Renewal Tax Relief Act of 2000, NMTC has enjoyed strong bipartisan support. Congress has consistently reauthorized the program because of its strong track record of success, as well as its bipartisan support. Most recently in 2014 Congress extended the program for 5 years, a display of clear support for the program and one that enabled the community development sector to engage in the longer term planning and staffing that any industry needs to undertake to operate efficiently.

NMTC is set to expire at the end of this year unless Congress acts. A return to the status quo ante before 2014 – i.e., a system of increasingly last-minute Congressional extensions of the NMTC for one year – injects highly disruptive uncertainty for NMTC investors, CDEs, and most importantly, for the low-income communities that rely on NMTC for investment. Making the NMTC a permanent part of the tax code would provide much-needed stability and certainty to the NMTC market, allowing federal dollars to go even further.

There is also strong bipartisan support for making the NMTC a permanent part of the tax code. Legislation has been introduced in recent Congresses to permanently extend the Credit and adjust annual authority to inflation, which would increase annual allocation from $3.5 billion to just over $5 billion. Legislation introduced this year by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD) – the New Markets Tax Credit Extension Act of 2019, S. 750 – has garnered strong bipartisan support, with 23 co-sponsors at the time this letter was written, several of whom are members of this Committee. Companion legislation in the House (H.R. 1680) has also garnered bipartisan support on and off the House Ways and Means Committee.

Congress also chose to preserve the NMTC in the Tax Cuts and Jobs Act of 2017, a powerful testament to the program’s strong track record and bipartisan support. LIIF strongly urges the Task Force to make the NMTC a permanent part of the tax code. The program creates unparalleled benefits for low-income communities, leverages private sector resources that maximize the federal government’s investment, and enjoys strong bipartisan support.

² The federal Office of Management and Budget estimates that, measured as a percentage of GDP, federal spending for community development—including programs at the Department of Housing and Urban Development (HUD), Agriculture, Commerce, and Interior—has fallen by 80 percent since 1980. The largest such program, HUD’s Community Development Block Grant has lost 57% of its purchasing power just since 2000, when the NMTC was enacted. https://www.cbpp.org/research/federal-budget/block-granting-low-income-programs-leads-to-large-funding-declines-over-time
LIIF’S NMTC WORK

To date, LIIF has received $518 million in NMTC allocation authority which we have deployed to support innovative and large-scale community development projects across the country. LIIF’s NMTC investments have resulted in 3,659,825 sq ft of community facility space and created/retained 5,427 permanent and 7,967 construction jobs. As illustrated by the examples provided below, LIIF’s NMTC allocations have supported a broad range of community facilities – from child care centers to health clinics to schools and YMCAs. These facilities typically anchor broader neighborhood revitalization efforts that include affordable housing, which enables low-income residents to benefit from expanding local economic opportunities.

In the Near West Side neighborhood of Cleveland, OH, LIIF is providing $8.5 million in NMTC allocation to Urban Community School (UCS) for new construction of a health clinic, an early childhood center and a community facility. UCS currently operates a private catholic school that serves approximately 600 students from Kindergarten through 8th grade (77% minority, 80% low-income). The NMTC transaction will enable UCS to bring critical services to a single, integrated campus right next to the private catholic school.

In Seattle, WA, LIIF provided $7.9 million in NMTC allocation to support a $34.9 million renovation to Pike Place Market, a historic icon for the City of Seattle and one of the oldest public markets in the nation. The six buildings renovated in this first phase of work included 113 units of affordable housing and 89 small business/retail outlets. The NMTC transaction enabled Pike Place to implement green components to several of its buildings, preserve an onsite child care facility and rehabilitate spaces that house local small businesses, community facilities and low-income residents.

In Spartanburg, SC, LIIF is providing $14 million in NMTC allocation to Northside Commons, a mixed-use, mixed-income development that will provide housing and commercial space as part of the Northside Initiative – an integrated community development effort to transform the Northside neighborhood. Northside Commons includes 20 rental apartments; over 14,000 square feet of medical and care coordination space; 5,000 square feet of office space for the Northside Development Group, a Network Member of Purpose Built Communities; and seven student rental units for nearby Wofford College’s new Sustainability Program.

In Baltimore, MD, LIIF provided $10 million in NMTC allocation towards the new 175,000-square-foot development in the Remington neighborhood that will feature 108 units of mixed-income housing, 30,000 square feet of health clinic space, and 15,000 square feet of neighborhood retail. The health clinic space will be occupied by a Johns Hopkins community health clinic and house 17 full-time providers that offer internal medicine, pediatric, OB/GYN and podiatry clinical services. The retail space is proposed to include a fresh food grocer and locally owned small businesses.

In Lafayette, IN, LIIF is providing $7 million in NMTC allocation for the development of a 97,000-square-foot multi-tenant development that is now providing a variety of community services. The development, located immediately adjacent to the existing Ivy Tech Community College campus, includes, workforce readiness and financial literacy programs, child care services, a health center, and quality jobs for the local community.
We are pleased that the Task Force is considering the importance of NMTC permanency and we look forward to working with the full Committee to advance the New Markets Tax Credit Extension Act of 2019. Please contact me at jharwitz@liifund.org for any questions.

Sincerely,

Jonathan Harwitz
Managing Director for Federal Policy & Government Affairs
Low Income Investment Fund
June 17, 2019

Comments to the Senate Finance Committee’s
Task Force on Employment and Community Development

The Local Initiatives Support Corporation (LISC) is pleased to respond to the solicitation of comments by the Task Force on Employment and Community Development relating to expiring tax provisions.

LISC is a non-profit housing and community development organization and certified Community Development Financial Institution (CDFI) with offices in 35 cities throughout the country and a rural network encompassing 90 partner organizations serving 44 different states. LISC’s work supports a wide range of activities, including affordable housing, economic development, building family wealth and incomes, education, community safety, and community health.

As one of the largest national nonprofit housing and community development organizations in the country, LISC often relies upon public-private partnerships to engage in the type of comprehensive community development work that is needed in low-income communities. Two of the most critical federal tools that support our efforts are the Low Income Housing Tax Credit (the Housing Credit) and the New Markets Tax Credit (NMTC). Since these programs were established in 1986 and 2000, respectively, they have become an integral component of efforts to support affordable housing development and, as importantly, the revitalization of economically distressed neighborhoods. Federal investment in these programs by way of tax expenditures has paid strong dividends by sparking private sector investment in geographic areas that would otherwise be overlooked. In 2018 alone, LISC raised and deployed approximately $1.5 billion of capital into low-income urban and rural communities – including over $1 billion in private equity capital through the Housing Credit and New Markets Tax Credits.

Congress must act to preserve and strengthen these successful programs; to avoid doing so would have devastating and potentially irreversible effects on some of the nation’s most underserved populations and communities.

New Markets Tax Credits

Background:

The NMTC provides an incentive in the form of a tax credit for investors to make equity investments in U.S. Treasury-certified Community Development Entities (CDEs), which in turn deploy the capital to support operating businesses, commercial real estate projects (including mixed-use, industrial, retail, manufacturing and office space), community facilities and for-sale
housing in low-income communities throughout the country. The credit totals 39 percent of the investment amount and is claimed over a period of seven years. The Treasury Department awards these credits to CDEs annually through a national competition.

In data reported by the Treasury Department, through 2017, over $46 billion of New Markets equity has been invested in over 6,600 businesses and real estate projects in low-income communities throughout the country. Over seventy-five percent of these investments were made in communities characterized by severe economic distress, and twenty-one percent were made in non-metropolitan communities. These investments helped to develop or rehabilitate over 205 million square feet of real estate and support over 800,000 jobs. For every $1 invested by the Federal government, the NMTC Program generates over $8 of private investment.

LISC has placed $987 million of NMTC investments in 130 different businesses and real estate projects, supporting $2.7 billion in total project costs. These funds have helped to develop or rehabilitate 670 units of housing and 10.6 million square feet of commercial and community space, including health care facilities serving 400,000 patients and educational facilities serving 45,000 students. LISC’s NMTC investments have supported the creation or retention of over 20,000 jobs.

**Extender Recommendations for the NMTC:**

LISC supports, and would refer this Task Force to, the comments submitted by the New Markets Tax Credit Coalition. We emphasize the following:

1. **The NMTC must be made a permanent part of the tax code.** The NMTC will expire in 2019. As Congress considers making changes to the tax code, it needs to place a high priority on ensuring that this critical program is permanently authorized. With the certainty of permanent authorization, the competition for tax credits will become even stronger, as more CDEs invest the time and energy into participating in the program. This will lead to an even higher quality of business strategies and funded projects. Similarly, program permanency will also draw more investors to the program, which will result in higher pricing for the credit and, consequently, greater subsidy available for NMTC projects. This will enable more projects to be financed in distressed communities. Finally, with a permanent authorization, the Treasury Department could consider additional program improvements (such as larger, multi-year awards) that will add stability to an application process that currently cannot guarantee awards beyond a single year.

2. **NMTC allocation authority should be increased to at least $5 billion annually.** The program is dramatically over-subscribed at $3.5 billion. As a result, many highly qualified applicants do not receive awards, and many of those that receive awards receive amounts that are significantly lower than their requested amount. In the 2018 allocation round, the CDFI Fund received over $14.6 billion in requests, but was only able to make 73 awards totaling $3.5 billion, with an additional 100 applicants deemed highly qualified. Increasing the allocation pool will enable more organizations to receive awards and/or to increase the size of awards made – both of which provide paths to spreading the benefits of the awards to more areas in the country.
3. **Investors that are subject to the Alternative Minimum Tax (AMT) should be allowed to use NMTCs to offset tax liabilities.** Unlike other investment tax credits – including the Housing Credit and the Historic Tax Credit (HTC) – NMTC investments are not available to investors subject to the AMT. Providing an AMT exemption for NMTC investments would bring the NMTC in line with those other credits and open up the NMTC investor market to new investors, including high net worth individuals, community banks and corporate investors who are currently restrained by the AMT. Broadening the NMTC investor base would increase competition and efficiency, leading to better pricing, and driving even more subsidy to businesses operating in NMTC qualified communities.

All of these changes are included in The New Markets Tax Credit Extension Act (S.750), the bipartisan legislation that has been introduced by Senator Blunt and Senator Cardin, and currently has 18 other co-sponsors.

**Housing Tax Credit**

**Background:**

Supported on a broad bipartisan basis, the Housing Credit was enacted as part of the Tax Reform Act of 1986. The Housing Credits are allocated to the states through a formula allocation, and then awarded through competition to developers of qualified projects. Developers sell the property to investors to raise equity capital for construction of their projects, thus reducing the debt service and allowing the projects to provide affordable rents to low-income families. Investors claim the credits over a 10-year period, and are at risk of tax credit recapture for an additional five years if the property does not remain in compliance with the rules.

To date, the Housing Credit has financed the development of approximately 3.2 million affordable homes across the nation with projects in every state, leveraged more than $100 billion in private capital, and helped to create well over 3 million jobs in the construction and property management industries. The units tend to be occupied by very low-income families: 83% of the families make below 50% of the area median income, including 48% that make below 30% of area median income.

LISC, through its subsidiary the National Equity Fund (NEF), is one of the nation’s largest syndicators of Housing Credits. To date, NEF has invested $15.3 billion in close to 2,500 housing properties, creating approximately 177,000 affordable homes for low-income families in 46 states, and spurring the creation of an estimated 194,000 jobs. In recent years, LISC has been able to use the credit to support disaster recovery efforts, a veterans housing initiative, and an initiative to link housing to critical community health services.

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1 “Low Income Housing Tax Credit Impacts in the United States”, Affordable Rental Housing ACTION Coalition
Extender Recommendations for the Housing Credit:

LISC supports, and refers this Task Force to, the comments submitted by the ACTION Affordable Rental Housing Network. Recommendations include:

(i) extending and enhancing the temporary 12.5% increase in the housing credit allocation formula (currently set to expire in 2021) by making it permanent and increasing it by an additional 50%;

(ii) establishing a minimum floor for the formula determining the credit rate for the “4% credit”; and

(iii) enacting the remaining provisions of the Affordable Housing Credit Improvement Act (S. 1703) to further facilitate the investments in affordable housing.

Congress should enact S.1703 as soon as possible. We are currently facing an affordable housing crisis. Nearly 11 million renter households pay over 50% of their income in rent; only one in four eligible families receives rental subsidies. At a time of great need, S.1703 would support the production of hundreds of thousands of more affordable housing units over the next ten years above our current levels of production.

We thank you for considering these comments, and look forward to working with the Task Force and the Finance Committee going forward. Please contact Matt Josephs (mjosephs@lisc.org; 202-739-9264), LISC’s Senior Vice President for Policy, if you have any questions or need additional information.
June 17, 2019

Dear Senator Cantwell,

As a Seattle-based company, I want to share with you the importance of making the Work Opportunity Tax Credit (WOTC) permanent. Over the years, we have observed many unskilled and inexperienced individuals become productive employees because WOTC gave them the opportunity to enter the workforce.

Because of the 5 consecutive year continuation of WOTC, the certainty of the tax credit has grown its usage. With the current legislation’s sunset set for December 31, 2019, I urge that Congress renew the credit before it expires and once again goes into hiatus.

Sincerely,

Mike Lancey
President
Mckenzie Chase Management
2303 W. Commodore Way, #210
Seattle, WA  98199
Phone: (206) 547-8277
Indian Employment Tax Credit

In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The original purpose and legislative intent of the Indian Employment Tax Credit was to incentivize businesses to hire tribal members, which would diversify the workforce and improve business operations. The incentive provides a 20 percent income tax credit for the first $20,000 of qualified wages and qualified employee health insurance costs for any Indian tribal member or spouse employed by a private business operating on an Indian reservation.

The tax credit provides a dollar-for-dollar reduction in the business's taxable income and is designed to create an incentive for employers to hire certain workers. The Indian Employment Credit initially expired on December 31, 2007, but has been extended repeatedly by acts of Congress.

Employees who make more than $45,000 per year are nonqualified for this credit and employers only qualify for the credit based on the first $20,000 of qualified wages and health insurance costs that are paid to employees. The credit can reach up to $4,000 per employee, which could potentially contribute a significant sum towards reducing a business' overall tax liability.

As currently drafted, does the provision achieves its stated purpose?

As currently drafted, the Indian Employment Tax Credit program does not achieve its stated purpose because it is unnecessarily complex and impacts employers in disparate ways. Additionally, the provision is not applicable to tribal governments or nonprofits who employ tribal members, which limits its value.

Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

Congress should permanently extend the Indian employment tax credit, modify the tax credit formula to the average of qualified wages and health insurance costs from the last two tax years, and allow tribal governments and other nonprofits to take a credit against the social security taxes payable by the employer. Updating the formula will reduce the administrative burden of businesses having to maintain tax records long beyond normal requirements.
In addition, Congress should consider expanding the wage amount to include up to $30,000 in qualifying wages and health insurance costs per eligible employee and raise the “high wage jobs” from $45,000 to $60,000.

How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

The lack of certainty in the future of this tax provision undermines its utilization by employers.
New Markets Tax Credit Program (NMTC)

In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The original purpose of the New Market Tax Credit (NMTC) Program was to catalyze investment in low-income communities, including tribal communities. Since the NMTC Program's inception, the Community Development Financial Institutions Fund (CDFI Fund) has delivered $70 billion in tax credit authority to community development enterprises (CDE) through a competitive application process. This amount has created over 750,000 jobs and financed industrial and commercial facilities, health and community centers, and small business loan funds.

Despite the considerable amount of tax credits distributed throughout the country and the potential of the program to significantly increase economic growth across Indian Country, tribal communities and tribally focused CDEs have been mostly left behind in the program. The CDFI Fund defines approximately 40% of the United States as eligible for the NMTC scheme as of 2010 Census, however some areas of Indian Country are not covered. In fact, over the span of three funding cycles, only one tax credit allocation was given to a Native CDE. Reasons for the exclusion given during a Senate Committee on Indian Affairs Oversight Hearing included the competitive nature of the program and the lack of NMTC application reviewers who are well-versed in the complexities of Indian Country.

Most recently, the CDFI Fund issued $3.5 billion in NMTC allocations to CDEs across the Country, however, no CDE whose primary mission is to serve Indian Country was included. As a result, important tribal health centers, substance use treatment facilities, and small businesses will likely go without financing and fail to move forward in 2019.

Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

The cost of the program has fluctuated over time, including increases for incidents like Hurricane Katrina and as a part of the American Recovery and Reinvestment Act, however, no external changes have significantly altered the purpose of the provision. According to a recent report, the cost of the NMTC has remained around $1.3 billion per year.

As currently drafted, does the provision achieves its stated purpose?
As currently drafted, the New Markets Tax Credit program does not achieve its stated purpose of encouraging investment in low-income communities because much of Indian Country is left out due to the competitive application process and the lack of tax credit allocations for Indian CDEs.

Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

Yes, the NMTC program must be made permanent or at the very least extended beyond December 31, 2019. To ensure tax credits will be deployed in Indian Country, Congress must reserve a 10 percent programmatic set-aside for investment in Native American communities.

NAFOA has also encouraged the administration to revise a CDE’s service area to include Indian Country. Currently, CDEs are only permitted to invest their NMTC allocation in their prescribed service areas. These service areas are typically state based, often including states that are geographically contiguous. However, as CDEs develop expertise in investing in Indian Country, there are natural economies of scale to using NMTC in other tribal areas, which may be in other states.

Furthermore, as tribes possess a government-to-government relationship with the federal government, they should be treated equal to states. CDEs should have an option to select a service area designated for tribes and be free to use allocations in any tribal project nationally in efforts to adequately serve their target populations and strengthen the capacity of the NMTC program. This change can be accomplished through the regulatory process and does not require legislation.

How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

The retroactive and temporary nature of their renewals make the incentives unreliable for tribes to effectively use when attempting to attract large, multi-year projects and unreliable for businesses trying to analyze the value of a partnership.

Are there any other special considerations that you would like to identify relative to this provision?

Revise the definition of “Low-Income Community” to include any trust land as defined in Section 3765 of Title 38 of the United States Code, any land within a township that encloses all or part of a Native village as defined in Section 3(c) of the Alaska Native Claims Settlement Act, and any Tribal Designated Statistical Area, which are statistical entities identified and delineated for the U.S. Census Bureau by federally recognized American Indian tribes that do not currently have a federally recognized land base, or reservation.
Revise “Qualified Low-Income Community Investments” to include to all projects and/or consolidated projects that serve tribal communities, including those that are on or near tribal lands as defined in the revised “Low-Income Community” definition.

Revise “Allocation of Limitation” to include and give priority to CDEs, both Indian and non-Indian, that provide capital or technical assistance to tribes that qualify under the revised definition of “Low-Income Community.”
June 17, 2019

The Honorable Chuck Grassley
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Rob Portman
United States Senate
448 Russell Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Maria Cantwell
United States Senate
511 Hart Senate Office Building
Washington, DC 20510

Re: Response to Senate Finance Committee Employment and Community Development Task Force request for submissions regarding the Work Opportunity Tax Credit

Dear Chairman Grassley:

The National Association of Professional Background Screeners (“NAPBS”) is the trusted global authority for the screening profession. In pursuit of their mission to advance excellence in the screening profession, NAPBS promotes and advocates for ethical business practices and fosters awareness of privacy rights and consumer protection issues. NAPBS is an international trade association of over 800 member companies. Its members provide employment and tenant background screening and related services to virtually every industry, including motor carriers. The reports prepared by NAPBS’s background screening members are used by employers and property managers every day to ensure that workplaces, roadways and residential communities are safe for all who work, reside or use them.

NAPBS members range from large background screening companies to individually-owned businesses, each of which must comply with applicable law, including when they obtain, handle, or use public record and private data. NAPBS members also include suppliers of background screening information such as court-record retrieval services and companies that provide access to public record data to background screeners.

We are pleased to provide the Senate Committee on Finance with our views on how to improve the efficacy of the Work Opportunity Tax Credit program.

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?
The original purpose of this credit was focused on moving people off of welfare and into private-sector work. While data is somewhat elusive, as precise data on WOTC-related hiring is not available from the IRS, studies have shown that workers in the temporary-hire space who are WOTC-certified have higher earnings in the short-term than WOTC-eligible but non-certified workers. This indicates some success in raising short-term incomes above the baseline for the groups targeted by the program. Furthermore, studies show that “churn” of WOTC-certified workers is not any greater than workers who do not fall within the targeted groups. This indicates that employers are not merely hiring employees for the immediate tax benefits made available by the program, but rather keeping them on after the benefits expire because they provide real value to the hiring employer. Given the data that is available, there is some evidence the credit has been effective.

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

Since its implementation, the WOTC has been expanded to other groups with difficulty transitioning into work, such as disabled veterans and the long-term unemployed. While we are supportive of these expansions—which enjoyed bipartisan support—we do not have the metrics to measure exactly how many additional people have been hired in each new area.

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

Not exactly. However, we believe that the growing bipartisan support for assisting criminal re-entry provides an opportunity to supplement the existing eligibility of “qualified felons” under the tax credit, and move more people from welfare back to work.

4) As currently drafted, does the provision achieve its stated purpose?

It continues to achieve its original purpose. Whether it achieves its expanded purposes is much more difficult to determine. It is clear that it does not with respect to one targeted population: persons with criminal history re-entering the workforce.


2 Id.

3 Lucy Couloute and Daniel Kopf, “Out of Prison & Out of Work: Unemployment among formerly incarcerated people,” Prison Policy Initiative, (July 2018) https://www.prisonpolicy.org/reports/outofwork.html (“We find that the unemployment rate for formerly incarcerated people is nearly five times higher than the
5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

The provision providing a credit to employers who employ an ex-felon within one year of release should be comprehensively revisited. While encouraging employment of ex-felons is a positive goal, broadening the scope of the provision to include persons whose criminal history is otherwise a barrier to re-entry would go a long way in breaking the cycle of unemployment and recidivism.

The primary issue with the current provision is that it does not capture situations where time served puts someone out of work and then the very recent conviction acts as a barrier to rehire. For example, if someone is arrested on Saturday for a public drunkenness violation, spends two days in county lockup, and fails to show up for work on Monday, he can be fired and his conviction can act as a barrier to reentry.

One possible solution to the above scenario could attempt to target retention of individuals in that type of situation, but that would likely have limited effectiveness because employers have no related event that would trigger a tax-credit assessment (as opposed to a situation in which the hiring of a newly-released individual acts as a trigger for credit eligibility). However, some employers whose work force might be particularly prone to this type of problem would benefit from such a program, which would aid in their retention of offenders. Our impression is that continued employment for an offender in this situation is far superior to replacement employment, and the aforementioned data on “churn” evidences that sentiment, so we believe that this remains a policy goal worthy of pursuit. Finally, because we anticipate limited numbers of employers using this tax credit, we anticipate that the budgetary cost would be small.

Given the realities of employer preferences, we recognize that a retention-focused approach will have limited appeal; however, first-time criminal offenders who had a job at the time they were arrested could be an ideal demographic for a new targeted group eligible for employer credits under the WOTC. Because these individuals have proven they are employable, and getting them re-employed can stop the cycle of recidivism, expanding the WOTC to this group could provide the ideal dual-benefit scenario of helping individuals from a vulnerable group while providing economic benefits to employers.

We therefore suggest adding eligibility for a “qualified offender” as follows (without removing the “qualified felon” eligibility):

unemployment rate for the general United States population, and substantially higher than even the worst years of the Great Depression.”}
A qualified offender is a person who either

1) (a) is hired by the taxpayer within six months after a year after being convicted of, placed on any form of deferred adjudication for, or released from jail or prison on a sentence for a criminal offense, (b) was employed on the date on which the person either committed or was arrested for the criminal offense, and (c) attests that he or she lost that employment because he or she was charged with, convicted of, or placed on any form of deferred adjudication for the criminal offense; or

2) was employed by the taxpayer at the time that the individual was arrested for, charged with, convicted of, or placed on any form of deferred adjudication for a criminal offense.

For the purpose of this definition, “criminal offense” means any offense (i) that the jurisdiction defining the offense determines is a crime or (ii) for which any amount of incarceration in jail, prison, juvenile detention facility, or other non-voluntary custodial is a possible sentence (including when the incarceration is conditional on first failing at some other program, such as probation, treatment, or rehabilitation, but not including as a further step based on failure to pay any amount assessed against the individual).

Employers can manage this program, if they are interested. Item (1)(a) can be confirmed through a criminal background check; item (1)(b) can be confirmed through a subsequent employment verification; and item (1)(c) can be confirmed through an attestation from the individual. Item (2) can be confirmed through a combination of public records and the employer’s own records.

In the interest of limiting the budgetary impact of the proposal, (1)(a) of the suggested provision imposes a short window of eligibility for claiming the credit between the criminal offense and the subsequent employment. If budgetary cost remains a concern, Congress could cap the amount of the credit to keep the total cost under control. Additionally, if Congress is concerned about the provision being overly broad, we suggest narrowing the definition of “criminal offense” to join the two elements of the definition with “and” instead of “or” – which would limit the applicability of the credit to crimes where incarceration is a possible punishment.

6) **How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?**

During periods when the credit has expired or will soon expire, employers are reluctant to put the time into creating a program to obtain the credit. Even if they feel fairly certain that the credit will be renewed in some form, they are concerned that there will be legislative changes that would require changes to the program that they are considering. This causes them to wait for the program’s renewal, which means that numerous individuals who could have been hired with the credit are not.

7) **Are there any other special considerations that you would like to identify relative to this provision?**
8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?

As previously mentioned, the IRS does not make granular data on the number of individuals hired under the WOTC program readily available. However, as noted above, given the limited information available, there is some evidence that individuals that are WOTC-certified fare better than similarly situated groups that are not WOTC-certified and that “churn” does not affect hires made under the WOTC program any more than similarly situated individuals. We appreciate the opportunity to share our views with the Committee regarding expanding the Work Opportunity Tax Credit and would welcome the opportunity to share any additional perspective on this issue as the Committee continues its work in this area.

Sincerely,

Melissa Sorenson, Esq.

Executive Director
June XX, 2019

Senator Rob Portman
Senator Maria Cantwell
Senator Tim Scott
Senator James Lankford
Senator Todd Young
Senator Benjamin L Cardin
Senator Sherrod Brown
Senator Catherine Cortez Masto

Re: Support for Permanency of the Work Opportunity Tax Credit

Members of the Senate Finance Committee Employment and Community Development Task Force,

The National Franchisee Association (“NFA”) is writing in response to your request for information on the work opportunity tax credit (“WOTC”, I.R.C. 51). Specifically, we ask that WOTC be permanently extended so that those in need are given greater employment opportunities.

By way of background, NFA represents independent BURGER KING® restaurant entrepreneurs in the United States and Canada who operate more than 7,000 franchised restaurants and employ almost 200,000 individuals across North America. The NFA and Burger King Corporation work together on policy issues that protect the BURGER KING® brand, promote a free-market economic environment, and help small-business owners in their efforts to grow, create jobs, serve customers and reinvest in local communities.

Many BURGER KING® franchisees use the WOTC program to hire workers from narrowly targeted groups of the disadvantaged, thereby expanding opportunity for those facing poverty, stigma, or other barriers to employment. Many of the employees hired using WOTC are under 30, with low skills or less education. Because of WOTC, our members can hire those most in need of a job—mainly on welfare or living in depressed areas. The program benefits not only those receiving employment, but small business owners like ours who are constantly facing employee turnover and resulting labor shortages.

Thank you for the opportunity to bring this important issue to your attention. Please consider implementing making WOTC permanent. It will benefit those most in need of employment while providing incentives to those employers who use the program.

Sincerely,
June 17, 2019

The Honorable Rob Portman, Co-Chair
The Honorable Maria Cantwell, Co-Chair
Employment & Community Development Taskforce
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Sent via email to: Employment&Development_Taskforce@finance.senate.gov

Re: NCAI Supports the Extension of New Markets Tax Credits and the Indian Employment Tax Credit

Dear Senator Portman and Senator Cantwell:

The National Congress of American Indians (NCAI) is the oldest, largest, and most representative organization serving the broad interests of American Indian and Alaska Native tribal nations and their citizens. Tribal nations from across the United States have repeatedly expressed how important federal tax policy is to tribal economic prosperity, infrastructure deployment, and self-determination. In June 2017, NCAI’s members passed Resolution #MOH-17-011, “Equitable Treatment of Tribal Nations in Congressional Tax Reform.” This resolution establishes a list of tribal tax priorities that includes extending and improving New Markets Tax Credits (NMTC) and the Indian Employment Tax Credit to increase the impact of these incentives across Indian Country.

New Markets Tax Credits

The NMTC program is a flexible mechanism to attract investment in economically distressed communities, including tribal lands. The Department of the Treasury’s CDFI Fund implements the NMTC program. Community Development Entities (CDEs) apply annually to the CDFI Fund for allocations of tax credits. The application process is competitive, and the CDFI Fund scores applications to determine which CDEs receive an allocation. CDEs that receive allocations consider and award tax credits to individual projects.

The NMTC program could greatly help tribal nations engage in community and economic development, as access to capital is a significant issue in Indian Country. In the past, tribal nations have used these credits for projects such as health clinics, administration buildings, and other infrastructure projects. Tribal nations have increasingly expressed interest in expanded deployment of these credits in Indian Country. Historically, however, few NMTC projects have been funded in tribal communities. The lack of tribal inclusion has been attributed to the competitive nature of the program and the lack of reviewers that are knowledgeable on the economic and jurisdictional complexities in Indian Country. In calendar years 2015-2016, $7 billion of tax credits were awarded to 120 CDEs. Only one entity that primarily funds projects in Indian Country received an allocation of $50 million. Additionally, in the allocation announced on May 23, 2019, neither of the two CDEs whose mission is to provide NMTC financing to Indian Country projects received an allocation.
Congress should spur investment and create jobs in tribal communities by increasing deployment of NMTCs for projects in Indian Country. The ideal solution would include creating a set-aside in the NMTC program for CDEs that primarily invest in Indian Country projects. Doing so would greatly increase private investment for infrastructure and other projects that would facilitate economic growth in tribal communities.

Another solution would include creating incentives to encourage NMTC applicants to commit to making investments in Indian Country and ensuring that at least one CDE whose primary mission is to fund projects within or that benefit Indian Country receives an allocation each round. Bipartisan legislation titled, the Aiding Development of Vital Assets in Native Communities and Environments Act (the “ADVANCE Act”), was introduced in the 115th Congress that would accomplish this approach. We expect this legislation to be reintroduced this Congress.

Increasing deployment of NMTCs for projects in Indian Country through a tribal set-aside or other incentives would help spur significant investment in infrastructure, promote economic development, and create jobs in tribal communities.

**Indian Employment Tax Credit**

The Indian Employment Credit is designed to be an incremental credit that encourages employers to hire American Indians and Alaska Natives and promote economic activity in tribal communities. It is equal to 20 percent of the excess of eligible employee qualified wages and health insurance costs (up to $20,000) over the amount of such wages and costs incurred by the employer in 1993 (the “base year”). An eligible employee is an enrolled member (or the spouse of an enrolled member) of an Indian tribe, who performs substantially all of the services within an Indian reservation, and whose principal residence is on or near the reservation in which the services are performed. Qualified employees must have wages that do not exceed an inflation adjusted amount, currently set at $45,000. Additionally, the credit is not available for any employee whose on-reservation services are provided to or within a casino. The maximum credit available is $4,000 per eligible employee.

Simplifying, expanding, and making permanent the Indian Employment Credit would permit greater deployment of the credit, thereby helping to increase employment rates and promote economic growth in Indian Country. Specific reasons for change are as follows:

- **Simplifying the Credit.** Because over 20 years have elapsed since the base year of 1993, the current formulation adds needless complexity and impacts employers in disparate ways. For example, if an employer incurred no eligible reservation employee qualified wages or health insurance costs in 1993, the employer’s Indian Employment Credit during the current year would be the maximum tax credit of $4,000 per eligible employee. But if the employer had reservation employees in 1993, it would only be able to take a credit equal to the increase in wage and related costs over those incurred in 1993. Thus, updating the base year would address this disparity and restore the incremental feature of the credit. It would also eliminate the need for taxpayers to maintain tax records much longer than normally required.

- **Expanding the Credit.** Tribal government and non-profit employers regularly employ tribal members in Indian Country. Expanding access of the credit to these entities would further promote hiring and economic growth in Indian Country.

- **Making the Credit Permanent.** Originally enacted in 1993, the Indian Employment Credit has been extended numerous times. Often extension of the credit has been retroactive or near the expiration date, creating uncertainty for employers regarding the availability of the credit and potentially limiting the incentive the credit provides for employers to employ tribal members. Making the credit
permanent would eliminate uncertainty and create more private investment in tribal communities.

Congress should take the following steps to update and improve the Indian Employment Credit:

- Permanently extend the Indian Employment Credit and modify the base year from 1993 to the average of qualified wages and health insurance costs for the two tax years prior to the current year;

- Expand the income tax credit to include up to $30,000 in qualifying wages and health insurance costs per eligible employee and raise the cap on the permissible wages per eligible employee from $45,000 to $60,000. The credit percentage will remain at 20 percent, thus resulting in a maximum income tax credit of $6,000 per eligible employee; and

- As an alternative to the income tax credit for certain governmental and nonprofit employers, provide a payroll tax credit for tribal government employers and Section 501(c)(3) organizations operating on Indian reservations. The payroll tax credit will be applied to reduce the applicable employer’s share of federal payroll taxes for an eligible employee. The maximum credit available to a governmental or nonprofit employer will be $6,000 per eligible employee, but in many cases, it will be less because the employer’s share of payroll taxes is only 6.2 percent of the wage base. The payroll tax credit will have no impact or effect on the employee’s payroll tax credits (for Social Security or Medicare purposes), and it can only be taken by tribal governmental employers (as defined in Section 3306(u) of the Code) or organizations operating on an Indian reservation that have been recognized by the IRS as exempt from tax under Section 501(c)(3).

Simplifying, expanding, and making permanent the Indian Employment Tax Credit would increase its deployment, thereby promoting economic growth and job creation in Indian Country.

**Conclusion**

Thank you for the opportunity to submit recommendations on how these tax credits can help bring additional investment and economic growth to Indian Country. If you have any comments or questions, please do not hesitate to contact NCAI Government Affairs Director Jacob Schellinger (jschellinger@ncai.org).

Sincerely,

Ahniwake Rose

*NCAI Interim Executive Director*
SUBMISSION OF THE NATIONAL EMPLOYMENT OPPORTUNITY NETWORK (NEON) TO THE SENATE FINANCE COMMITTEE TASK FORCE ON EMPLOYMENT AND COMMUNITY DEVELOPMENT

JUNE 17, 2019

The National Employment Opportunities Network (NEON) is pleased to submit this statement to the Senate Finance Committee Task Force on Employment and Community Development. The members of NEON specialize in assisting employers to secure federal and state employment credits. These comments relate to the Work Opportunity Tax Credit (WOTC), Indian Employment Credit (EIC), and Empowerment Zone (EZ) tax incentives.

WORK OPPORTUNITY TAX CREDIT (WOTC)

WOTC was enacted in 1996 to encourage employers to hire stigmatized individuals who face barriers to entering the workforce, including recipients of specified federal social support programs, ex-felons, disabled and unemployed veterans, and the long-term unemployed. WOTC is an incentive to encourage employers to take the risk of hiring individuals in these categories by providing a modest economic incentive (employees who remain on the job for more than 400 hours generate an average net credit of $1,300). As discussed more extensively in the attached analysis of WOTC by Wharton Professor Peter Cappelli, over the past twenty-three years since its enactment, WOTC has met its original legislative purpose by refocusing employers’ hiring practices toward those who are on public assistance programs or are otherwise disadvantaged. In so doing, WOTC has expanded the workforce to include individuals who might otherwise not have been considered for employment absent this modest economic incentive.

The program works well, does what it is intended to do, and has become widely accepted by employers. To date, the program has helped over 28.5 million people on public assistance programs get jobs. Its success and employer acceptance can be seen in the history of
the certifications issued. According to the Department of Labor, in WOTC’s first year, FY 1997, 120,000 certifications were issued. By FY 2010, that number had risen to 900,000 and with the certainty of the five-year PATH Act extension in December 2015, the number has remained over 2,000,000 per year.

The policy underlying WOTC continues to be needed even in periods of relative low unemployment because the individuals targeted by WOTC remain stigmatized and have high levels of unemployment. Dr. Cappelli indicates the corporate tax rate would have to be as low as 15% for these groups to be more readily absorbed in the job market without a hiring incentive. Dr. Cappelli’s research goes on to highlight that the net maximum tax incentive for WOTC costs the government considerably less - $1,560 (the wage deduction is not allowed for wages against which the credit is taken) than maintaining those individuals on public assistance programs.

Specifically, Dr. Cappelli’s economic analysis has helped to quantify the savings to the federal and state governments as a result of moving WOTC qualified individuals from a dependence on public assistance to gainful long-term employment. Using data for only four social programs – TANF, SNAP, Medicaid, and federal low-income housing subsidies – it can be conservatively demonstrated that the net savings to the federal government (after subtracting the cost of the WOTC) for FY 2018 was $16.7 billion, with an additional savings of $3.5 billion to the states in TANF, SNAP and Medicaid, for a combined total net savings of $202 billion over ten years. These savings are well in excess of the static cost of renewing WOTC. This quantitative analysis was not available in 1996 when WOTC was enacted, but it makes the case for WOTC even stronger today as we face an increasing national debt burden.

Because an efficient and effective infrastructure has been created to facilitate WOTC, the program has become a platform upon which new needs can be addressed. Over the years, Congress has added additional targeted groups to WOTC to meet new challenges in the economy including a category for the long term unemployed who were stigmatized by virtue of being left out of the job market for long periods of time, disconnected youth who have dropped out of the high school, and businesses that were rendered inoperable as a result of Hurricane Katrina. This provision has been used following other weather disasters.

NEON appreciates Senators Rob Portman and Ben Cardin for their leadership in proposing S. 978 which would make WOTC
permanent. We have seen over the recent five-year extension that a longer extension encourages more employers, especially small and medium businesses, to participate in the program. The longer extension has also made the program more efficient because regulators at IRS and U.S. Department of Labor are more willing to spend the time on regulatory improvements. The state workforce agencies who issue the certifications have also invested in improvements to better handle the increased certification workload.

WOTC has proven to be an effective platform to help stigmatized individuals who have more limited opportunity for employment. Uninterrupted continuity of the program is the primary and paramount concern of employers participating in the WOTC. In particular, small employers may lack the resources, tools, and staff to participate in a program with uncertainty. Therefore, we highly recommend that the program be seamlessly and permanently extended so that all employers will be encouraged to invest the time and resources necessary to hire and train those eligible for WOTC.

Employers believe the program is working well as is, and their highest priority is a seamless permanent extension. NEON would support adding some new categories designed to address specific groups that face barriers to entering the workforce. Accordingly, NEON supports the following proposals that would leverage the WOTC infrastructure.

**Remove the Age Ceiling on SNAP eligibility** – NEON believes one important program enhancement would be to eliminate the age ceiling on food stamp eligibility. While the number of individuals on SNAP has decreased from its peak of 47.6 million in FY 2016, there were still 40 million people on SNAP in FY 2018. Increasingly, those on food stamps the longest are over 40 years old and have lost their jobs because of changes in the economy. Many of these seniors need to re-enter the workforce to make ends meet. The cost of making them eligible for WOTC is a third of the cost of maintaining them on SNAP. Lifting the age ceiling on SNAP eligibility would dramatically improve their financial circumstances and mental outlook on life.

NEON also supports legislative proposals that been introduced which would include eligibility for:

**Transitional Foster Care Youth** (S.1651, H.R. 2964) – Nearly, 50% of young people who have transitioned out of foster care are unemployed by age 24, and those who do manage to get a job are woefully underemployed earning an average wage of $7,500 per year.
Expanding WOTC to include these young people would help employers to focus on this problem.

**Social Security Disability Insurance recipients SSDI** (S. 255) – The number of people on SSDI has risen rapidly in recent years and the Disability Fund is fast running out. While those on SSI or who go through vocational rehabilitation are currently eligible for WOTC, those on SSDI are not. Extending WOTC eligibility to this group would help them to reconnect with society, become productive again while at the same time improve their finances. Many employers overlook the disabled as potential employees and a tax incentive can help to insure that they take a second look at those on SSDI.

**Quantifying WOTC’s impact on public assistance spending** the past several years, NEON, working with professor Cappelli, has been able to develop a formula to quantify the savings to the federal and state governments as a result of moving WOTC qualified individuals from a dependence on public assistance to gainful long-term employment. Using data for only four social programs, TANF, SNAP, Medicaid, and federal low-income housing subsidies, it can be conservatively demonstrated that the net WOTC savings to the federal government after subtracting the cost of the credit for FY 2018 to the Federal Government was $16.7 billion, with an additional savings of $3.5 billion to the states in TANF, SNAP, and Medicaid for a combined total savings of $202 billion over ten years. We would further note that the industry standard is that for every application for certification filed, slightly less than 50% are granted by the states (largely because the applicant does not know for certain if they meet the eligibility period criteria). Yet, since the state certification decisions are only made after employees begin work, the number of certifications reflects only about half of the individuals hired under the program. Accordingly, public assistance spending decreases significantly more than we have estimated since we have only included certified employees in the calculations. Yet, the vast majority of those hired as potentially being WOTC eligible come off of public assistance programs.

In summary, WOTC not only fulfills its original legislative purpose and is working as originally intended but has also proven flexible enough to accommodate new categories to assist other stigmatized individuals find gainful work, and to help employers in disaster ravaged communities keep employees on their payrolls when business has been interrupted due to natural disasters. The program is

www.WOTCmeansjobs.org
as vital today as it was when it first was enacted. As such, NEON respectfully urges the Task Force to support making WOTC permanent.

**INDIAN EMPLOYMENT CREDIT (IEC)**

Enacted in 1993, the IEC provides a tax credit against wages and qualified health insurance costs for individual employees who are enrolled members of an Indian tribe or the spouse of a member of an Indian tribe for work performed substantially on an Indian reservation, where the principal place of abode of the employee is on or near the Indian reservation in which the services are performed. The IEC, which comes to a maximum credit of $4,000 per employee, was enacted in response to high unemployment rates in this population.

Statistics compiled by various private organizations and the Bureau of Indian Affairs demonstrate that the employment rate among Native Americans remains approximately 14% lower than among the white population in the United States. The actual gap in some western states can be as high as thirty percent. See EPI Briefing Paper, Native Americans and Jobs, by Algernon Austin, 2013.

The IEC has not been changed substantively since its original enactment and remains an important tool to keep the gap in unemployment between Native Americans and other populations as low as possible. We urge the Task Force to make the IEC a permanent part of US tax and labor policy.

**EMPOWERMENT ZONE TAX INCENTIVES**

Also enacted in 1993, the Empowerment Zone program was designed to encourage investment and economic activity in certain designated distressed communities by providing a number of tax incentives, including a tax credit for employers that hire certain designated employees who work and live in the designated zones. In recognition of the need for those who reside in these designated communities to benefit from the economic development that is generated, this credit is 20% of the first $15,000 in wages. There is also a traditional WOTC target group for designated community residents between the ages of 18 and 40 who live in these communities but work outside of them of 40% of $6,000. Both credits may not be taken on the same wages.

NEON urges the Task Force to extend this important part of the federal government’s program to reduce poverty and repair
blighted communities. We suggest that the Task Force consider updating the designated community resident WOTC category to include individuals who reside and work in the new “opportunity zones” with a credit of 20% of the first $15,000. This would be similar to the higher incentive provided in the Empowerment Zones which is designed to provide an enhanced incentive for those who live in these economically blighted communities.

In so doing, the Task Force will not only be renewing a highly effective program that promotes the renewal of economically depressed communities but will also encourage employers to maximize hiring in the facilities they bring to these communities.

If the Task Force has any questions or needs additional information, please contact:

William Signer, (202) 515-2345, signer@carmengroup.com
Evan Magdail, (202) 799-4311, evan.magdail@dlapiper.com
June 17, 2019

Employment and Community Development Task Force
Senate Finance Committee
219 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Senators Portman, Cantwell, and Members of the Task Force:

On behalf of the members of the New Markets Tax Credit (“NMTC”) Working Group, we respectfully submit the following comments as you consider tax reform and how NMTCs may factor into your decisions. The members of the NMTC Working Group are participants in the NMTC industry who work together to help resolve technical NMTC Program issues and provide recommendations to make the NMTC Program even more efficient in delivering benefits to qualified businesses located in low-income communities and serving low-income populations around the country. Our group includes allocators, nonprofit and for-profit community development entities (“CDEs”), consultants, investors, accountants and lawyers, all who are focused on making the NMTC the most effective and efficient tool to private capital for community and economic development in America’s low-income communities.

Please see below for the responses to the questions accompanying your request for information.

1. **In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?**

   Established under the Community Renewal Relief Act of 2000 (P.L. 106-554), the New Markets Tax Credit (“NMTC”) was created to encourage taxpayers to make investments and loans in low-income communities by establishing a new tax credit for investments made to acquire stock or a partnership interest in a selected community development entity (“CDE”).

   A CDE’s primary mission is to serve distressed communities by investing funds from private investors in low-income communities. Furthermore, Congress intended to make low-cost, patient private capital available for businesses, facilities, and revitalization projects in communities left behind by the economic expansion of the 1990s. These forgotten farming towns, urban neighborhoods, and post-industrial suburbs lacked access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies.

   Nearly two decades later, the NMTC is doing precisely what was intended, efficiently and effectively. Since 2003, the NMTC has delivered more than $95 billion in total project financing from $48.6 billion in NMTC allocation authority to nearly 6,000 projects and businesses, creating or retaining more than 800,000 jobs.

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jobs at a cost the federal government of less than $20,000 per job\(^2\) and contributed directly to the
construction or rehabilitation of more than 178 million square feet of manufacturing, office and retail real
estate\(^3\). In 2017 alone, it is estimated that projects financed by NMTC award recipients created over 60,000
jobs in impoverished rural and urban areas.\(^4\) According to the U.S. Treasury, the NMTC has generated $8
of private investment for every dollar invested by the federal government.\(^5\)

The NMTC targets low-income communities, defined as census tracts with poverty rates of at least 20
percent and median incomes not exceeding 80 percent of the area median. However, most projects are
located in communities far exceeding the statutory requirements for poverty. In 2017, 83 percent of NMTC
activity was in communities with poverty rates of at least 30 percent, median income no higher than 60
percent of area median or unemployment at least 1.5 times that national average, far exceeding the
statutorily required investment levels.\(^6\)

2 Since the provision was enacted, have there been policy changes that have altered the
purpose of this provision? How have these changes impacted the ability to meet the
original intent? Have these changes improved the provision?

Since its enactment, both Congress and regulators have made changes to the NMTC program to allow
taxpayers the flexibility to make investments in a more diverse range of communities, businesses, and
ventures. For example, IRS rule changes helped taxpayers invest in projects beyond real estate-related
rehabilitation projects and allowed NMTC investors greater access to investments in operating businesses,
\(^7\) the Community Development Financial Institution Fund’s discretion in allocating awards helped to
increase the diversity and number of CDEs,\(^8\) and the introduction of leverage lenders (including public and
philanthropic lenders who offer loans at below-market rates) encouraged capital investment in a broader
range of regions and communities.\(^9\)

The Community Renewal Tax Relief Act authorized the initial NMTC allocation for 2001 to 2007 and
made a total of $15 billion in credit authority available over those seven years. Since that time, Congress
has extended the NMTC several times:

- The American Jobs Creation of 2004 (P.L. 108-357) established a targeted populations eligibility
criteria allowing the use of the NMTC in census tracks not designated as low income in cases in
which there the project provided a benefit to low-income populations. The made low-population
census tracts within Empowerment Zones eligible if they were contiguous to another qualified
census tract. Neither provision has made a major impact on the NMTC;

\(^2\) New Markets Tax Credit Coalition, Economic Impact Report, December 2017 https://nmtccoalition.org/reports-
case-studies/.
\(^3\) Community Development Financial Institutions Fund (CDFI Fund), U.S. Department of the Treasury, New
Markets Tax Credit Program https://www.cdfifund.gov/programs-training/Programs/new-markets-tax-
credit/Pages/default.aspx.
\(^4\) Ibid.
\(^5\) Ibid.
\(^6\) “New Markets Tax Credit Progress Report 2018,” New Markets Tax Credit Coalition,
\(^7\) New Markets Tax Credit Non-Real Estate Investments, Federal Register, Vol. 77, No. 189, pp. 59544–59547,
\(^8\) OCC, “New Markets Tax Credits: Unlocking Investment Potential” pg.21, https://www.occ.gov/topics/community-
\(^9\) Ibid.
• An additional $1 billion was authorized for communities hard-hit by Gulf Coast hurricanes, *Gulf Opportunity Zone Act of 2005* (P.L. 109-135);

• In 2006, Congress extended the NMTC for 2008 at $3.5 billion in annual credit authority through the *Tax Relief and Health Care Act of 2006* (P.L. 109-432). The measure extended NMTC through 2008 and amended the statute to require that non-metro areas receive a proportional share of investments. The non-metro share of the population is 15 percent, and NMTC investments in these rural communities have remained at or around 20 percent for several years. In 2017, 23 percent of NMTC projects were in rural areas. The 2018 awards, made in early June 2019, indicate that at least $682 million (19.4 percent) of the total will be prioritized to rural areas;

• The *Emergency Economic Stabilization Act of 2008* (P.L. 110-343) extended the Credit for 2009, again at $3.5 billion in annual credit authority;

• The *American Recovery and Reinvestment Act of 2009* (P.L. 111-16), increased credit authority to $5 billion for both 2008 and 2009;

• The *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010* (P.L. 111-312) provided a two-year extension of the NMTC (2010 and 2011) with annual credit authority of $3.5 billion;

• The *American Taxpayer Relief Act of 2012* (P.L. 112-240) provided a two-year extension of the NMTC (2012 and 2013) with annual credit authority of $3.5 billion;

• The *Tax Increase Prevention Act of 2014* (P.L. 113-295) extended the NMTC for 2014 at $3.5 billion in annual credit authority; and

• Most recently, the *PATH Act* (P.L. 114-113) extended the NMTC for five years, from 2015 to 2019, at $3.5 billion in annual credit authority. The *PATH Act* was the longest authorization for the NMTC since the *Community Renewal Tax Relief Act* and, at $17.5 billion, the largest in the history of the Credit.

These policy changes to the NMTC have given investors and other program participants the capability to better meet the legislative intent of incentivizing private investment in the most capital-deprived urban and rural low-income communities, creating and sustaining needed jobs and community businesses.

3. Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

Congress designed the NMTC to be flexible and to meet the evolving needs of communities. While the program maintains its core purpose, it also helpfully responds to emerging external economic trends in ways policymakers who drafted the original legislation may not have anticipated. A few examples:

a. The program proved an effective tool for disaster relief. Disasters hit our most vulnerable communities the hardest. After Katrina, community development organizations played an

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10 *Ibid*
important role in rebuilding and strengthening communities already struggling with poverty and unemployment before the storm, including the construction of thousands of new affordable single-family homes. Many of the same organizations, including the Houston Food Bank, North Dallas Food Bank, and Metropolitan Ministries in Tampa, were on the ground providing direct assistance to the families and communities affected by the unprecedented flooding and destruction of Hurricanes Harvey and Irma. The program has also helped more than a dozen communities recover from devastating floods and tornadoes.\(^{11}\)

b. Nearly 100 rural hospitals have closed since 2010. During the same period, the NMTC financed 102 rural health and dental clinics, hospitals, and medical facilities, including the financing of seven new rural dental clinics serving nearly 50,000 additional low-income patients in rural Oregon.\(^{12}\)

4. As currently drafted, does the provision achieve its stated purpose?

As noted in our responses above, there is no question that the NMTC achieves its stated purpose. To date, nearly $49 billion in NMTC allocation delivered over $95 billion in total project financing to low-income communities\(^{13}\) at a cost to the federal government of only $12.7 billion.\(^{14}\)

According to the U.S. Department of Treasury, the program generated over 39,000 direct jobs in 2017. Summit Consulting was commissioned by the CDFI Fund to conduct the most recent evaluation of the program. Their 2017 report found 100 percent compliance; CDEs are using the NMTC to lower the cost of capital in low-income communities; and CDEs are target areas of deep economic distress, and far exceeding the program requirements.

5. Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

The NMTC provision achieves its stated purpose as currently drafted, but with small changes, the program could be made even more effective in carrying out its mission of driving capital to low-income communities. Passage of S. 750, the New Markets Tax Credit Extension Act of 2019,\(^ {15}\) would provide greater certainty for investors, promote competition in the application process to bid for credit allocations, and lead to greater efficiencies and outcomes in targeted communities.

Greater certainty as to the permanence of the NMTC will lead investors to increase capital inflows to CDEs and lead to more investment per tax credit dollar. As a result of the heightened capital available for investment, the bidding process among CDEs for credit allocation will become more competitive, resulting in more efficient and impactful investments that provide capital injections into the nation’s most economically distressed communities. Indeed, the data indicates that heightened competition in the NMTC program led to more CDE investments in qualified businesses and developments in communities with a 30 percent poverty rate, rather than the statutorily required 20 percent poverty rate.

\(^{11}\) “The NMTC as a Disaster Relief Tool.” https://nmtccoalition.org/disaster-relief/


\(^{14}\) The Joint Committee on Taxation consistently scores the NMTC at a cost of 26 cents for every dollar of allocation.

\(^{15}\) S. 750 is a bipartisan bill with more than 20 cosponsors, nine of which are members of the Senate Finance Committee.
6. How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

The temporary nature of the NMTC, combined with the 7-year investment requirement, forces CDEs that invest in projects without 7-year timelines to maintain a “pipeline” of projects so that they can remain compliant with CDE-status requirements or else risk having their investors face the recapture of previous years’ credits, plus interest. Projects that do not fall neatly within a 7-year time window may be highly efficient investments for low-income communities, however, the lack of certainty as to whether further credit allocations will be reauthorized may have a stifling effect on investment in projects that could otherwise provide valuable economic benefits to low-income communities. It is important to enforce rules that help fulfill the intent of the NMTC as an economic driver; however, placing otherwise well-meaning investors at risk of facing a recapture for previous year credits simply because of the uncertainty created by the temporary nature of the NMTC does not help fulfill the mission of the program.

7. Are there any other special considerations that you would like to identify relative to this provision?

a. Allow NMTCs to Offset alternative minimum tax (AMT) liability

Willingness by investors to participate in the NMTC Program would also be greatly enhanced if a long-term or permanent extension of the NMTC included a provision that would allow the NMTC to offset AMT. A long-term extension of the NMTC with an AMT offset provision would put the NMTC Program on par with Low-Income Housing Tax Credits, Historic Tax Credits and certain Renewable Energy Tax Credits, and would increase investor demand for the NMTC. With more demand by investors, the pricing of NMTCs would rise and would lead to an even greater amount of subsidy reaching qualified businesses. In addition to higher credit pricing, if the NMTC Program were made permanent or received a long-term extension, CDEs and other NMTC Program participants would dedicate more resources to the NMTC Program and generate even greater efficiencies.

b. Modify NMTC Recapture Rules

Three events can trigger a recapture event of NMTCs: the CDE ceases to qualify as a community development entity; the substantially-all requirement is not satisfied; or the investment is redeemed by the investor. If there is a recapture event with respect to a qualified equity investment (QEI) at any time during the seven-year credit period, all investors are subject to recapture in the year the recapture event occurs. The investor must repay the government the aggregate amount of credits previously claimed by the taxpayer under section 45D, plus interest and penalties. While we believe tax credit recapture is an important component of the community development tax credits that contributes to their success, the overly stringent form of NMTC recapture inhibits its efficiency.

By having full recapture risk, plus interest penalties, for the full term of the investment, the NMTC Program has a level of compliance and transaction structuring unrivaled by other tax credit programs. This level of structuring and underwriting ensures that the goals of the NMTC Program are ultimately achieved, but at a cost that is incorporated into the overall price of the NMTC and the types of investments that investors are willing to make. A phased reduction in tax credit recapture risk during the term of the investment would certainly lower the discount of the NMTC applied by investors and

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16 For further discussion of AMT implications, see §2.16 of Novogradac & Company New Markets Tax Credit Handbook, 2012.
broaden the types of investments that tax credit investors are willing to make, including non-real estate qualified low-income businesses.

c. **NMTC and Opportunity Zones**

Many Members of Congress often ask about the difference between the NMTC and the Opportunity Zones (OZ) incentive. While both incentives bring private capital to low-income communities, they are also very different in several important attributes. As a result, they complement each other well. Both seek to revitalize distressed communities, but use different tax planning tools and, therefore, different financial products and investors to push private capital into economically distressed areas.

- **Debt vs. equity.** Most NMTC financing lowers the cost of debt for businesses. OZ financing is statutorily required to be equity.
- **Investor classes.** Most NMTC investors are regulated financial institutions with CRA obligations. OZ investors include taxpayers with an unrealized capital gain which tend to be individuals or non-financial corporations.
- **Different project types.** NMTC allocation is capped annually and is awarded competitively to community development organizations that invest in high community impact projects. The application process and the scarcity of credits drive NMTC-funding to businesses and economic development projects that would not have been economically feasible without the NMTC benefit, including community facilities, healthcare centers, rural broadband, and mission-driven service providers.

The OZ incentive is an uncapped program designed to make equity capital generally available in targeted areas. While valuable, the level of subsidy the OZ provides is shallower than NMTC on a per-investment basis, and unless combined with other subsidies and incentives, are unlikely to provide enough subsidy to make an economic infeasible investment feasible. However, the overall volume of OZ investments nationwide is likely to exceed the total NMTC investment.

- **Geographic Targeting.** – NMTC is generally available to any eligible census tracts defined by statute, but given the very limited allocation available, is only able to finance projects in a small subset in any given year. Governors designated up to 25 percent of a state’s NMTC-eligible census tracts for the Opportunity Zone incentive, along with a limited number of tracts contiguous to NMTC-eligible tracts. In any particular state, OZs are more likely to receive a greater total volume of OZ investment than NMTC investment.

d. **Retroactive extension?**

Congress should act to extend the NMTC before it expires this year. A retroactive extension of the NMTC (in 2020) would delay billions in financing for health centers, business incubators, daycare centers, and other important revitalization projects for up to two years, and imperil the participation of many stakeholders. Treasury awards NMTC allocation community development organizations through an annual competitive process, which includes a two-month application period, several months of application review, and upon allocation award, the execution of an allocation agreement. Unlike the Bush and Obama Administrations, the U.S. Department of Treasury is unlikely to open a 2020 application round until Congress reauthorizes the NMTC.
8. **Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total numbers and defining characteristics of the beneficiaries of the provision?**

In addition to the positive effects created by shepherding much-needed capital to the most economically distressed communities, the NMTC produces significant positive fiscal and economic effects. In a 2012 study authored by the Partnership for Job Creation (PJC), it was shown that NMTC credits provide outstanding return on investment to taxpayers.\(^\text{17}\) Return on investment to taxpayers was conservatively estimated to be 2.2 times greater than the value of the tax credit while higher-end estimates indicated that return on investment to taxpayers was 14.8 times greater than the value of the credit. In addition to the positive fiscal effects of the credit, the study showed that the economic impact of businesses financed through the NMTC program creates hundreds of thousands of jobs, directly and indirectly, in targeted communities throughout the country.

**Conclusion**

We strongly urge Congress to make the NMTC permanent and enact improvements as provided for in S. 750. Addressing improvements is the central purpose of the NMTC Working Group and its members are dedicated to that goal. Since 2006, the NMTC Working Group has responded to requests from Congress, Treasury, the IRS, and the CDFI Fund with recommendations to enhance the NMTC Program’s ability to deliver significant community impact to this nation’s low-income communities. These comment letters reflect the work of more than 60 member organizations participating on numerous conference calls and countless drafting sessions over several years. All of the NMTC Working Group’s comments regarding these issues, as well as many others, can be found on our website at [www.nmtcworkinggroup.com](http://www.nmtcworkinggroup.com). We would be happy to meet with you to discuss any of our comments in further detail.

Please do not hesitate to contact us if you have any questions regarding our comments or if we can be of further assistance.

Yours very truly,

Novogradac and Company LLP

by

Brad Elphick

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TO: Members of the Employment and Economic Development Task Force

FROM: Partnership for Job Creation

DATE: June 17, 2019

RE: Response to Request for Information from the Senate Finance Committee’s Employment and Economic Development Task Force

Thank you for the opportunity to submit comments to the Employment and Economic Development Task Force’s request for information on the New Markets Tax Credit (“NMTC”). The Partnership for Job Creation was founded in 2011 and is a broad coalition of NMTC practitioners engaged in advocacy efforts to highlight the positive economic impact of the tax credit, a vital community development tool that has helped to transform communities in its nearly twenty years of existence. Please let us know if you need any additional information.

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

Established under the Community Renewal Relief Act of 2000, the NMTC was created to encourage taxpayers to make investments and loans in low-income communities by establishing a new tax credit for investments made to acquire stock or a partnership interest in a selected community development entity (“CDE”). A CDE’s primary mission is to serve distressed communities. CDEs do so by leveraging tax credit equity over 2x with private capital to make investments in low-income communities. Passed on the heels of welfare reform in 2000, the original legislation’s intent was to provide jobs and community services to low-income residents and access to capital to businesses and projects in economically depressed areas.

Since its implementation, the NMTC has fulfilled the intent of the legislation in exemplary fashion. It is estimated that the NMTC has generated $8 of private investment for every dollar invested by the federal government. As a result, private investors have injected much needed investment into low-income communities. The NMTC has exceeded expectations by driving

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investments to the most capital-starved and economically depressed communities. Indeed, the most recent year’s available data shows that more than 83% of NMTC-financed projects were in our nation’s most severely distressed communities, far exceeding the statutorily required investment levels. By investing more than $48.6 billion into these communities, NMTC investments have created or enabled the retention of more than 800,000 jobs and contributed directly to the construction or rehabilitation of more than 205 million square feet of commercial real estate. In 2017 alone, KPMG LLP estimates that projects financed by NMTC award recipients created over 60,000 jobs in impoverished rural and urban areas.

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

and

3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

Since its enactment, both Congress and regulators have made changes to the NMTC program to allow taxpayers the flexibility to make investments in a more diverse range of communities, businesses, and ventures, broadening the impact of the credit. In addition, IRS rule changes have helped taxpayers invest in projects beyond real estate-related projects and allowed NMTC investors greater access to investments in operating businesses. Similarly, these rules have connected low-income communities to traditional banking capital (as well as public and philanthropic lenders) as the federal subsidy incentivizes lenders to provide the private sector capital referenced in Question 1 into the NMTC structure to enable CDEs to make investments in businesses and projects that may not otherwise meet traditional underwriting standards. Further, the discretion of the Community Development Financial Institution Fund (“CDFI”) in allocating awards has increased the diversity and number of CDEs, expanding the reach of the program across the country. The CDFI has also adopted policies to ensure that rural areas receive NMTC investments as well as states that lag behind in NMTC investment volume.

Congress originally allocated $15 billion to the NMTC program from 2001 to 2007. Since then, with broad bipartisan support, Congress has extended the NMTC program six times (most

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5 Id.
8 Id.
recently in the PATH Act through 2019) at $3.5 billion per year, altered the statute to better serve rural communities,\(^9\) and increased the total allocation authority to $61 billion overall.

These policy changes to the NMTC have allowed the program to evolve as low-income community needs changed and connected investors and banks to such communities, furthering the legislative intent of incentivizing investment in the most capital-deprived parts of the nation.

4) **As currently drafted, does the provision achieve its stated purpose?**

and

5) **Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?**

The NMTC provision achieves its stated purpose as currently enacted, but with simple yet important changes, the program could be made even more effective in carrying out its mission of driving capital to low-income communities. Passage of S. 750, the New Markets Tax Credit Extension Act of 2019,\(^{10}\) would provide greater certainty for investors, promote competition in the application process to bid for credit allocations and lead to greater efficiencies and outcomes in targeted communities. S. 750 would make the NMTC permanent, index to inflation the amount of credits annually available under the NMTC program and remove the NMTC from the Alternative Minimum Tax ("AMT").

Greater certainty as to the permanency of the NMTC will lead investors to increase capital inflows to CDEs. As a result of the heightened capital available for investment, the bidding process among CDEs for credit allocation will become more competitive, resulting in more efficient and impactful investments that provide capital injections into the nation’s most economically distressed communities. Indeed, the data indicates that heightened competition in the NMTC program led to more CDE investments in qualified businesses and developments in communities with a 30% poverty rate, rather than the statutorily required 20% poverty rate.

6) **How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?**

Markets crave certainty. The NMTC universe of investors, CDEs and leverage lenders that occupy the “private” side of the public-private partnership that is the NMTC program is no different. The temporary nature of the program is a barrier to the program’s ability to achieve its full potential. All participants have invested money and time in building the NMTC infrastructure that enables the credit to do the great work that it has done. The impermanent nature of the NMTC program, however, creates uncertainty which effects a CDE’s ability to

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\(^9\) For example, the Tax Relief and Health Care Act of 2006 extended the NMTC through 2008 and required that a proportional amount of NMTC credits be allocated to non-metro area projects. Since this change, non-metro area investment has commanded around 20% of NMTC investment.

\(^{10}\) Sponsored by Senators Blunt (R-MO) and Cardin (D-MD), S. 750 is a bipartisan bill with more than 20 cosponsors, 9 of which are members of the Senate Finance Committee.
maintain proper staffing and most efficiently and effectively source investments. Permanency will enable the NMTC program to reach its full potential.

7) **Are there any other special considerations that you would like to identify relative to this provision?**

We support the changes made to the NMTC in S. 750 as stated in our response to Question 5.

8) **Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total numbers and defining characteristics of the beneficiaries of the provision?**

In addition to the positive effects created by shepherding much-needed capital to the most economically distressed communities, the NMTC produces significant positive fiscal and economic effects. A 2012 study authored by the Partnership for Job Creation shows that the NMTC program provides outstanding return on investment to taxpayers.¹¹ Return on investment to taxpayers under low-end scenarios was estimated to be 2.2 times greater than the value of the tax credit, middle-level scenarios estimated that the return was 7.4 times greater, and higher-end estimates indicated that return on investment to taxpayers was 14.8 times greater than the value of the credit. In addition to the positive fiscal effects of the credit, the study showed that the economic impact of businesses financed through the NMTC program creates hundreds of thousands of jobs, directly and indirectly, in targeted communities throughout the country.

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To the Senate Finance Committee Employment and Community Development Task Force,

Senator Durbin supports the six temporary tax incentives within the purview of the task force, including the Indian Employment Tax Credit, the New Markets Tax Credit, the Mine Rescue Team Training Credit, the Work Opportunity Tax Credit, Empowerment Zone Tax Incentives, and the American Samoa Economic Development Credit. Senator Durbin has proposed reforms to the Work Opportunity Tax Credit (WOTC) that would strengthen the credit and make it better equipped to ensure that at-risk youth have access to economic opportunity.

WOTC aims to incentivize hiring of certain populations such as summer youth, veterans, and TANF recipients. This purpose could be strengthened through Senator Durbin’s Helping to Encourage Real Opportunities (HERO) for At-Risk Youth Act, which would expand WOTC to expand job opportunities for at-risk youth and encourage employers to retain youth from economically distressed areas as long-term employees. This legislation would double the amount of the credit to $2,400 for businesses that hire and train at-risk youth, defined as youth ages 16 to 24 who are both out of school and out of work and lacking basic skills, and youth ages 16 to 21 that are currently in foster care or have aged out of the system. Senator Durbin’s legislation would also expand WOTC’s summer youth program to include year-round employment for at-risk youth while limiting the number of hours eligible youth can work while in school to no more than 20 hours per week. Finally, Senator Durbin’s HERO for At-Risk Youth Act would extend Empowerment Zone Tax Incentives until December 31, 2020. This would help to ensure that economically distressed and high poverty areas are eligible to receive federal grants and tax incentives, including the Work Opportunity Tax Credit.

There is legislative precedent for changes that would improve the Work Opportunity Tax Credit. Since WOTC was created in 1996, Congress has made a number of other changes to the credit that have expanded the eligible populations and credit levels—including previously temporarily expanding the credit to at-risk youth in the American Recovery and Reinvestment Act of 2009 (P.L. 111–5). The Office of Management and Budget estimates that WOTC claims were about $1.3 in FY2017. Approximately 4.5 million youth were out of school and out of work nationally in 2017. Senator Durbin’s HERO for At-Risk Youth Act would further strengthen and improve WOTC, building on previous legislative additions, to provide businesses with tax incentives for hiring, training, and retaining at-risk youth.

Please let me know if you have any questions.

Best,

Katrina Potts
June 17, 2019

U.S. Senate Finance Committee
Employment and Community Development Task Force

To Whom It May Concern:

On behalf of the A Call To Invest in Our Neighborhoods (ACTION) Campaign, we appreciate the opportunity to provide recommendations to the Senate Finance Committee’s Task Force on Employment and Community Development as it considers how to address expiring tax provisions under its jurisdiction. The ACTION Campaign is a national coalition representing over 2,200 national, state, and local organizations and businesses advocating to expand and strengthen the Low-Income Housing Tax Credit (Housing Credit).

The Housing Credit is the most effective tool for encouraging private investment in affordable rental housing and is responsible for nearly all of the affordable housing built and preserved since Congress created the program in 1986. To date, it has financed over 3.2 million affordable homes nationwide, providing approximately 7.4 million low-income families, seniors, veterans, and people with disabilities homes that they can afford. It has financed affordable housing in all 50 states, the District of Columbia, and U.S. territories, as well as in all types of communities including urban, suburban, and rural areas. Furthermore, the Housing Credit has supported 3.6 million jobs and has generated an estimated $135 billion in tax revenue and $344 billion in wages and business income.

As a part of the Consolidated Appropriations Act of 2018, Congress established a temporary expansion of the Housing Credit, increasing the Housing Credit authority provided to states by 12.5 percent for 2018, 2019, 2020, and 2021.

ACTION is extremely grateful to Congress for providing this increase in critically needed resources. The temporary expansion of the Housing Credit (“cap increase”) will allow us to finance over 10 years nearly 29,000 more affordable rental homes than would have otherwise been possible for low-income families, seniors, veterans, and people with disabilities. Yet resources remain woefully insufficient to address current and future need. Our nation faces an affordable housing crisis, with more than 11 million renter households paying more than half of their income on housing, leaving little left for other critical necessities including food, healthcare, childcare, and utilities.

We therefore urge Congress not only to make permanent the 12.5 percent increase in Housing Credit authority provided in 2018, but to also further increase this authority and strengthen and streamline the program as proposed in the Affordable Housing Credit Improvement Act of 2019, S. 1703 (AHCIA). This bipartisan legislation, recently reintroduced by Senators Maria Cantwell
(D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Johnny Isakson (R-GA) has the full support of the affordable housing community, from investors to low-income tenant advocates. In the last Congress, this legislation garnered wide bipartisan support in both chambers, with more than 40 percent of Congress cosponsoring the legislation.

Our specific responses to the questions posed by the Task Force follow.

1) In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The intent of the temporary cap increase in Housing Credit authority was to finance additional affordable housing using a proven tool, which for over three decades has incentivized private sector investment in affordable rental housing. Without this incentive, it simply does not make economic sense for private companies to invest capital in affordable housing, as the rents that low-income people can afford to pay are insufficient to cover the costs of building and operating apartments.

The temporary cap increase has already allowed state Housing Finance Agencies (HFAs), which administer the Housing Credit program on behalf of the federal government, to finance more developments than they otherwise would have been able to in 2018 and 2019. These include developments located in Opportunity Zones, as established under the Tax Cuts and Jobs Act of 2017, rural communities, and in urban and suburban areas that can provide access to employment, quality schools, and transportation.

2) Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

There have been no changes impacting the cap increase since Congress enacted it on a temporary basis in 2018; however, the Housing Credit program itself has been modified several times since its inception, each time to further improve the program by addressing changing needs and adopting new innovations.

AHCIA would make the most significant changes to the Housing Credit since 1989, when Congress significantly reworked the program to address lessons learned since its establishment three years earlier. Since then, Congress has made a number of modifications to the program, most notably in 2008 with the Housing and Economic Recovery Act, in the 2015 tax extenders legislation that made the 9 percent Housing Credit floor permanent, and most recently in 2018 with the establishment of the Average Income Test.
3) Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?

The rental housing crisis in this country continues to worsen, with more families facing daunting rent burdens, living in substandard housing, or both. Moreover, we do not expect pressure on the rental market to lessen any time soon. Between 2015 and 2025, the Census Bureau estimates that the adult population in the United States will expand by 24.6 million, a 10 percent increase. This demographic trend alone will raise the number of severely rent burdened households by 11 percent, from an estimated 11.8 million in 2015 to 12.1 million in 2025.

Rising costs for building materials, labor, and land create additional challenges as we seek to increase the supply of affordable housing. Due to these market realities, the need for increased Housing Credit resources to help bring production in line with demand for affordable rental housing becomes more and more dire every year.

4) As currently drafted, does the provision achieve its stated purpose?

The temporary cap increase has allowed for the building and preservation of more affordable housing than otherwise would have been possible. Unless Congress acts to extend the cap increase, we will see a decrease in affordable housing resources in every state beginning in 2022.

Not only do we urge Congress to permanently extend the cap increase, but also to provide additional authority to the Housing Credit program, as well as a floor to the 4 percent Housing Credit rate, to better reflect the increasing need for affordable rental housing across the country.

5) Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

Further increase in Housing Credit allocation authority. As proposed in AHCIA, a 50 percent increase in Housing Credit authority would provide for approximately 384,500 additional affordable homes to be built over the next ten years than under current law. AHCIA would provide a 50 percent increase over the current level, phased in over five years.

Establish a minimum 4 percent Housing Credit rate. AHCIA would also establish a minimum 4 percent rate for Housing Credits used to finance acquisitions and Housing Bond financed developments. This would provide more predictability and flexibility in Housing Credit financing, allowing developers and state HFAs to target more apartments to very- and extremely-low income households—particularly for special populations such as veterans, seniors, people with disabilities, and households in harder-to-reach rural communities—at rents they could afford. This would also make more types of properties financially feasible, especially for affordable housing preservation. A minimum 4 percent rate would increase affordable housing production by at least 66,000 affordable homes over the next 10 years compared to current law.
It would also provide parity with the corresponding minimum 9 percent Housing Credit rate, which was made permanent along with other expiring provisions at the end of 2015.

**Further strengthen the Housing Credit.** AHCIA also includes more than two dozen other provisions that would help preserve existing affordable housing, facilitate Housing Credit development for extremely low-income households and in hard-to-serve communities, provide state Housing Credit allocating agencies new tools to strengthen program oversight, and streamline rules to create efficiencies in program administration. New provisions in AHCIA this Congress would help the Housing Credit better serve rural areas, encourage cost reasonableness, and maximize Private Activity Bond affordable housing resources, among other changes.

For a detailed overview of the recommended reforms to the Housing Credit, please view this bill summary: https://bit.ly/2IjCwDz.

6) How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?

Because the 2018 cap increase is temporary in nature, the number of additional affordable properties that can built or preserved will decrease in 2022 unless Congress were to extend this. The Housing Credit program is already far oversubscribed, with many high-quality proposals not funded under current resource constraints. The loss of these resources will mean that even more desperately needed properties will go unfunded. State HFAs and other program stakeholders cannot develop plans for how to use critically needed additional resources beyond the temporary provision’s expiration date.

In addition, the lack of a floor for the 4 percent Housing Credit rate (compared to the minimum 9 percent Housing Credit rate as enacted in the 2015 tax extenders legislation) leaves the marketplace without the certainty and financial feasibility that would provide for even more critical affordable rental housing developments.

7) Are there any other special considerations that you would like to identify relative to this provision?

As previously mentioned, urban, suburban, and rural communities nationwide face a shortage of affordable and available rental housing. Without a decent, affordable place to call home, many Americans run the risk of experiencing homelessness. Given the nation’s affordable housing crisis, it is more important than ever to strengthen and increase the Housing Credit so that more affordable housing could be built and preserved nationwide.

8) Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?
According to estimates by the national accounting and consulting firm Novogradac and Company, the temporary cap increase will increase production by 29,000 affordable rental homes. If made permanent, the 12.5 percent allocation increase would finance nearly 67,000 affordable rental homes between 2022 and 2029.

State and district data on the number of rental homes financed by the Housing Credit since its establishment can be found at [http://rentalhousingaction.org/state-district](http://rentalhousingaction.org/state-district).

The beneficiaries of the cap increase, and the Housing Credit program more broadly, are low-income households, generally earning less than 60 percent of area median income (AMI), including families, seniors, persons with disabilities, and veterans. According to the most recently available HUD data, nearly half of all households living in Housing Credit apartments are extremely low-income, meaning they earn 30 percent of AMI or less.

To conclude, The ACTION Campaign strongly recommends that Congress extend the temporary Housing Credit cap increase, establish a minimum 4 percent Housing Credit rate, and further expand and strengthen the Housing Credit by advancing the Affordable Housing Credit Improvement Act.

For further information, please do not hesitate to contact Sarah Brundage, Enterprise Community Partners, senior director, public policy, at sbrundage@enterprisecommunity.org and Jennifer Schwartz, National Council of State Housing Agencies, director of tax and housing advocacy, at jschwartz@ncsha.org.

**ACTION Campaign Co-Chairs**  
Enterprise Community Partners  
National Council of State Housing Agencies (NCSHA)

**ACTION Campaign Steering Committee Members**  
Affordable Housing Tax Credit Coalition  
Council for Affordable and Rural Housing  
Council of Large Public Housing Authorities  
CSH  
Housing Advisory Group  
Housing Partnership Network  
LeadingAge  
Local Initiatives Support Corporation/National Equity Fund  
Make Room  
National Association of Affordable Housing Lenders  
National Association of Homebuilders  
National Association of Housing and Redevelopment Officials
National Association of Realtors
National Association of State and Local Equity Funds
National Housing and Rehabilitation Association
National Housing Conference
National Housing Trust
National Low Income Housing Coalition
National Multifamily Housing Council
Stewards of Affordable Housing for the Future
Volunteers of America
To: Senate Finance Committee Employment and Community Development Task Force  
Employment&Development_Taskforce@finance.senate.gov

TCC represents many companies operating across the United States supporting their participation with the Work Opportunity Tax Credit (WOTC) program (I.R.C. 51), the Federal Empowerment Zone Hiring Credit (FEZ) (I.R.C. 1391-1397B), and the Indian Employment Credit (IEC) (I.R.C. 45A).

1. Regarding WOTC, we understand the purpose of the program as a mechanism to encourage employers to proactively seek to hire individuals who face various barriers to employment. We believe the provision has been successful in meeting this original intent based on wide employer adoption of the program and statistics provided by the Department of Labor detailing the number of individuals certified each year from the various target groups.

2. There have been various policy changes which have altered WOTC over the years. In each case, we view those changes as enhancements to the provision’s effectiveness.

3. The provision has proven to be extremely adaptable to external changes. As needs arise in the economy, or as groups of individuals facing barriers to employment emerge, Congress has been able to amend WOTC to address these concerns. We believe that this very flexibility and adaptability is one of the provision’s greatest strengths and one of the most compelling reasons to make it permanent policy.

4. As currently drafted, the provision does achieve its stated purpose.

5. Besides the permanent extension of the provision, we do not believe there are any reforms necessary for the provision to meet its stated purpose. However, there are a few minor changes that could be considered to further enhance its effectiveness:
   a. Subsection (d)(8)(A)(i): Remove the age cap from the Supplemental Nutrition Assistance Program target group. This age limit was previously raised from 25 to 40 (Pub. L. 109–432, §105(c)). Yet the age limit remains arbitrary. We don’t believe that there is any policy reason to favor the hiring of individuals receiving SNAP who are below the age of 40 more than those who are over the age of 40.
   b. Subsection (b)(3): The limitation on wages per year taken into account have not been revised since the provision’s enactment. Congress should consider if the amounts should be increased.
   c. We are very supportive of the use of WOTC as a platform to address new needs that Congress identifies. Therefore, we support bills such as S.1651 and H.R. 2964 to add foster youth as a target group, or S. 255 to add SSDI recipients as a target group.

6. The temporary nature of WOTC has negatively impacted its ability to have maximum effectiveness in several ways:
   a. Dfd

7. The National Employment Opportunity Network (NEON) has provided extensive information regarding the savings in entitlement spending to the federal and state governments attributable to WOTC. We
are aware that Congress is unable to offset the budgetary “cost” of extending WOTC with these savings, but we believe special consideration should be given to the cost savings when contemplating permanent extension of the provision.

8. According to the Department of Labor, nearly 10 million individuals with certified barriers to employment have been hired by employers participating in WOTC in fiscal years 2014-2018. This information is detailed on their website: https://www.doleta.gov/business/incentives/opptax/performance-reporting/

It is our belief that these programs have maintained their original intent and the various changes that have been made over the years have supported the original intent.

Please let us know if we can be of any further assistance.

Respectfully,

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Submission

Of

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President
Work Opportunity Tax Credit Coalition

To

Employment and Community Development Task Force

WOTC, Empowerment Zone, and Indian Employment Tax Credits

Committee on Finance
United States Senate
Washington, DC

June 17, 2019
Department of Labor and Census Bureau data show that without the work opportunity, empowerment zone, and Indian employment tax credits and their emphasis on work, our nation is consigned to struggle with a large underclass of people living at the bottom from generation to generation. Research from the Census Bureau shows that during the latest period for which we have data, 2009-2012, of the 22.7 million households in the lowest quintile (income below $22,329), 31 percent moved to a higher quintile and 69 percent remained at the bottom.

WOTC’s focus is on these 22.7 million households when they are unemployed and receiving public assistance. Because of the social safety net—TANF, housing assistance, child credit, food stamps, Medicaid, and other benefits—the poverty rate of those so aided is cut in half; but welfare benefits don’t ensure a job and steady income which are the preconditions for advancing in life. In the WOTC model, two million unemployed workers on public assistance find jobs each year, and once employed, if their annual earnings are low from illness, care-giving, or irregular work, they are eligible for the earned income tax credit (EITC). WOTC and EITC are in a “goldilocks” relationship fighting poverty—WOTC expands job opportunity for discouraged workers and those on public assistance, EITC boosts income when earnings are low—together, they are a cornerstone of the safety net.

A WOTC job allows single parents to obtain work with earnings that keep their children out of poverty; many receive prior welfare services and training from city and county agencies who use WOTC as a job placement tool. With one-fifth of the nation’s children living in poverty, WOTC ensures a better chance a mom can find a place in the workforce she can build on. As with single parents, so also with people with disabilities, ex-offenders, the long-term unemployed, summer youth, and veterans exiting the service or transitioning to another job.

WOTC is hard-wired to city and county workforce and welfare agencies placing disadvantaged workers into jobs, for example, after exiting TANF-supported skills training. But WOTC is for well-defined populations only, those with higher
unemployment rates or lower workforce participation rates, and those receiving public assistance. While Congress has looked at many models of aiding the disadvantaged, none has proven as cost-effective and scalable as WOTC which costs the government a maximum of $1,900 per job for most workers. This low cost stems from WOTC’s targeting those most in need, and the tax credit is capped.

*Empowerment Zone Employment Credit and Indian Employment Credit* supplement WOTC by providing larger financial and job creation incentives to reverse economic decline. Neither of these credits are available if WOTC is taken, and vice-versa. Evaluating these credits requires weighing the combined impact of of capital infusion and workforce improvements; based on local economic indicators significant economic advance has resulted in most areas. We can say from experience that the availability of the Empowerment Zone credit to employers has been an important factor attracting investors and, until recently, has resulted in 60,000 hires per year in the zones. Because of high poverty on Reservations, the Indian Employment Credit is vital not only for jobs created but to aid in attracting business to reservations—the low economic base of the non-gambling sector means economic progress will be slow.

Considering WOTC alone, total hires (based on DOL reports of certifications) in fiscal year 2017 were 2 million, including 1,376,325 food stamp recipients, 206,213 welfare recipients (most of them long-term welfare cases), 78,300 residents of poverty-stressed rural counties, 170,766 veterans, 67,862 ex-felons, 30,831 people with disabilities, 32,384 SSI recipients, and 35,774 long-term unemployed. That’s two million hires a year of a target population of 22 million households in the bottom quintile of income. WOTC is the only Federal jobs program that achieves a scale proportionate to the challenge at maximum cost of $1,900 per job in most cases, and every worker is certified eligible by a State Workforce Agency before an employer can claim the credit. The system of verifying eligibility by State Workforce Agencies matching public records has for two decades assured high program integrity, with no significant fraud or abuse.

WOTC jobs are productive, tax-paying, private sector jobs distributed among 23 occupational groups in every major sector of the economy. Labor Department data shows 29.8 percent in sales and related occupations; 21.9 percent in production operations, including manufacturing, transportation, and
construction; 18.7 percent in office and administrative support occupations; 17.5 percent in food preparation and serving occupations; 4.7 percent in healthcare and support occupations; and 1.6 percent in buildings and grounds cleaning and maintenance. WOTC is clearly not a program used mainly by restaurants. Nor are these “dead-end” jobs: private employers fill openings and are willing to pay full compensation and taxes beyond WOTC’s benefit, which is capped for most workers at a maximum cost to the Treasury of $1,900 (the average is about $1,500 per hire.) What happens to this tax saving? It’s used to pay part of the worker’s compensation, which means the tax saving is ploughed back into the local economy where workers spend their wages. States and cities with thousands of WOTC hires a year can tally every dollar, earmarked mostly for communities with the highest poverty and welfare caseloads.

Sometimes it’s said that WOTC’s take-up rate of disadvantaged workers is small-this is inaccurate, based on WOTC’s hires as percent of total disadvantaged population, rather than as percent of the total who applied for jobs and were successfully employed. Let’s compare WOTC workers employed with total workers employed at low incomes, as $9 is the starting wage for most WOTC workers according to DOL. For our submission, we obtained from BLS unpublished CPS data on income distribution of full and part-time workers ages 25 and older, by education level, in 2017. Consider the bottom ten percent (decile) of employed workers making the lowest average weekly wages. There were 10.1 million workers employed at this level in 2017, and DOL records show two million ages 18-24 hires via WOTC. After allowing for 33 percent of WOTC workers being under 25, WOTC hires comprise an estimated 1,353,000, or 13.4 percent take-up rate of bottom-decile, age-25 and older workers in 2017. Assuming turnover of 33 percent between 2017 and 2018, it’s likely 900,000 of these age-25 WOTC workers employed in 2017 remained on payrolls in 2018, along with an estimated 1,353,000 new WOTC age 25 and older workers, plus 647,000 workers ages 18-24, for a total of 2.8 million or 27.7 percent take-up rate of WOTC for lowest-income workers over two years. For workers at lowest decile of weekly wages, WOTC’s two million jobs for those on public assistance account for a large percentage of those employed. WOTC is effective in helping the target populations.

It’s sometimes said, incorrectly, that WOTC-eligible workers would have been hired anyway, because the employer had an opening to be filled. This is a fallacy
because, while an opening will surely be filled, it won’t necessarily be filled by a disadvantaged worker. The way the labor market operates is through the free marketplace where applicants compete for jobs—WOTC workers must compete for jobs with non-WOTC workers. According to BLS data we noted above, the bottom decile in 2017 was comprised of 843,000 with less than high school education, 3 million high school, 1.9 million some college, 1.3 million associate degree, and 3 million bachelors. Whatever the education of the WOTC worker, one can see there was significant competition for jobs at the lowest earnings level, with around 4 million high schoolers and less, competing with 6 million with some college and higher. It’s even tougher competition for those most likely to be on welfare and bearing the scars of poverty, e.g., managers are wary of hiring someone who may not show up for work regularly. It’s well-established that people on welfare carry stigma—a hurdle others don’t have to overcome.

So it is also with people with disabilities, ex-offenders, veterans, and the long-term unemployed. Given the competition for work, there’s no assurance WOTC workers will be hired without the tax credit, even at the lowest pay. WOTC does make a difference in who gets hired; evidence from a thorough GAO study shows employers are reaching out to hire WOTC-eligible workers, and employers believe the job tenure of a WOTC worker is longer than a non-WOTC worker. An earlier GAO study of the Targeted Jobs Tax Credit (1981-1995) found that pay-subsidized workers advanced in real wages at the same rate as non-WOTC workers.

The historical record since 1960 is that, if we do nothing, there will inevitably be a pool of “structurally unemployed” people imposing a drain on the economy and government funds. President Ronald Reagan, advised by Milton Friedman and Jack Kemp, enacted a jobs credit, targeted to those most in need, by re-shaping a jobs credit launched by President Carter. Today it’s called WOTC and has been expanded to include VOW to Hire Heroes Act veterans’ jobs credits.

As a policy instrument WOTC has, during the past two decades, proven to be the most cost-effective Federal jobs program on record—no more than $1,900 per hire for ninety percent of workers (the credit is larger for long-term welfare recipients and certain veterans). To our knowledge, the last time the Joint Economic Committee made a cost estimate for permanent WOTC was in 2013
(see JCX-11-13) and the ten-year cost was $14.215 billion. A study conducted by Professor Peter Cappelli of the Wharton School, University of Pennsylvania, estimates savings in welfare payments alone exceed twice the ten-year cost of WOTC. WOTC is ready-made for evidence-based policy evaluation: the immediate outputs are known, tangible results in growth of real wages, retention, and long-run impact can be estimated, along with savings from lower public assistance payments.

One must also ask what are the options to WOTC? Congress doesn’t seem in the mood to add billions for income support, so the training option appears attractive. But training, ranging from assessments of capacity to mastery of skills, can be costly. In the end a motivated worker approaching a private employer, be it auto shop or Apple store, bringing the worker into a team and allowing him or her to mature in basic skills while earning an income, may be the most cost-effective option. With community colleges at hand in most locales, motivated workers can work in off-duty hours toward certificates in at least four hundred high-demand occupations with good wages, according to DOL. To strengthen “academic knowledge and technical and employability skills” that dropouts and others with few skills need to progress, Congress continues to provide funds. With such opportunities, and a steady WOTC job the starting point, each can choose their own route ahead.

WOTC has proven adaptable to changing conditions. Congress in the past extended WOTC to aid recovery from Hurricane Katrina and other disasters. Congress added more than 300 “rural renewal counties” to help stimulate development in declining rural areas. Recently, Congress approved the “long-term unemployed” as a target group. Our Coalition supports The Military Coalition’s proposal to extend WOTC eligibility to spouses of service members on active duty, who are at a disadvantage in finding employment when re-locating.

There are six million disconnected youth who are out of school and out of work because they lack basic skills, many are barely literate. Valuable models of intensive counseling, education, and training for such youth exist in city and county welfare departments who confront this problem regularly. During the 115th Congress, the Ways and Means Committee received presentations on three private models achieving excellent results: Year Up, Alternative Schools Network, and JumpStart. Year Up’s model is six months of intensive classroom
work followed by a six-month internship with an employer; its program will serve 3,600 people this year. Clearly, Year UP believe is labor intensive, with low output and high cost per worker. ASN works with 2,500 high school dropouts a year at a cost of $14,200 per student who receive job referrals when they graduate. If ASN’s model is extended to fifty states, 125,000 disadvantaged youth would graduate annually and be referred to employers, at a cost of $17.75 billion a year. (This is approximately WOTC’s cost over ten years.) Baltimore’s privately-funded JumpStart intensive training program in construction trades has highly successful graduates but only 800 graduates in ten years. Clearly, intensive programs geared to the disadvantaged and utilizing professional case managers, counselors, and educators, are labor-intensive, high-cost, and haven’t shown evidence of scalability enough to make a serious dent in six million disconnected youth.

There are, however, many disconnected youth who are motivated toward work and willing to step into a job if they can find one, knowing an entry-level job is a stepping-stone to better days. There is evidence of this because “disconnected youth” ages 16-25 were a WOTC target group in 2009 and 2010, during which time 424,306 obtained jobs using WOTC. Does securing jobs for nearly a half million disconnected youth each year via WOTC mean these workers were without counseling, peer support, or training? No, they acquire this on the job, receive counseling and training by their managers, learn from co-workers, and make personal adjustments to fit their team. Cost borne mainly by employers.

If “disconnected youth” were restored as a WOTC target group, there’s little doubt this would catch employers’ attention because, for entry level jobs, employers count on motivation more than skill. Given the importance of quickly reducing those “out of school and out of work” to support the nation’s plan to ignite economic growth, incorporating WOTC into national economic planning by making “disconnected youth” a target group until age 31 offers a good route to harnessing employers’ initiative to boost outreach to a population with a low workforce participation rate, at lower cost per hire than any other Federal jobs program.

To expand the number of jobs available to WOTC-eligible workers, our Coalition recommends that Congress authorize the credit for private non-profit employers, creating good-paying jobs in several areas, but especially in health
care and education. We further recommend that all employers be allowed to claim WOTC against FICA tax, with reimbursement to the Trust Funds by the Treasury, as this will allow employers to hire more workers than present income tax rules allow.

Will a growing economy absorb disadvantaged workers, making WOTC unnecessary? Long experience demonstrates that certain groups, particularly the poor on welfare, youth from broken homes and dropouts, people with disabilities, and returning veterans, face barriers that exist in good times and bad, in other words, “structurally unemployed” with higher than average unemployment rates and lower than average workforce participation rates. Without WOTC, such workers will fall even further behind in a growing economy, as history has shown. Although the economy is improving, the number in poverty continues to grow because of increased population. Coupled with low income mobility that leaves many stuck at the bottom, it becomes clear there continues to be a need for a targeted Federal jobs credit to ensure large numbers of the poor on public assistance find work speedily, and employment of veterans and people with disabilities be assured high priority.

Many years ago, a scholar considered the leading figure in the theory of economic policy, Jan Tinbergen, who won the Nobel Prize for his work, showed that if a nation has multiple policy goals, then it needs, at minimum, a number of policy instruments equal to the number of its goals (Tinbergen Lectures On Economic Policy, 1993, pp. 89-90). WOTC is such a policy instrument; it’s purpose is not to grant a tax preference to employers, but to encourage them to hire the disadvantaged and achieve a policy goal: economic improvement for the poor and ex-felons, assistance to veterans and people with disabilities, and a stronger economy by drawing a disadvantaged worker into our slowly growing workforce. The policy goal is national, the policy instrument (using the tax code) is efficient—sound basis for making WOTC permanent.

//signed//

Paul E Suplizio
President
Work Opportunity Tax Credit Coalition

Dear Senator Portman, Senator Cantwell, and ex-officio members; the Honorable Chairman Charles E. Grassley and Honorable Ranking Member Ron Wyden,

Thank you for allowing me the opportunity to submit this written submission to the Senate Finance Committee Employment and Community Development Task Force. I sincerely appreciate this task force and its commitment to address these pressing issues and hope that my responses will be of constructive. It is my hope that the Employment and Community Development may respectfully consider potential reforms I believe are congruent with the purpose, intent, and goals of the Empowerment Zone tax incentives.

If there is any further information that the Employment and Community Development Task Force may need or require, please do not hesitate to contact my Legislative Assistant, Mr. Shahryar Baig, (Shahryar.Baig@mail.house.gov) by email or telephone at (202) 225-4365.

Respectfully,

Adriano Espaillat
Member of Congress
1. In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?

The original purpose of this provision is to generate economic growth through community development, increased local employment, and attractive bond financing and capital investment opportunities.

The legislative intent was to combine both tax incentives and bonding opportunities to revitalize and spur economic development in economically distressed areas throughout the U.S. with high levels of poverty or other markers based on socioeconomic metrics and data.

This provision – for the length of time in which it was authorized and appropriated monies – has met the original intent. Empowerment Zones did see increased economic development and private investment money through bonding opportunities that brought into communities’ capital construction and improvement.

According to United States Department of Housing and Urban Development (“HUD”) agency data, facility bonds were utilized to finance large capital projects WITH the authorization and consent of local programs. Further, the Government Accountability Office (GAO) found that Empowerment Zones saw statistically significant decreases in the poverty rate. The GAO found in their assessment and examination that “In summary, in many cases economic conditions improved in communities where the EZ/EC/RC grants and tax benefits were used.”

2. Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?

Policy changes that have been made have not directly altered the purpose of the Empowerment Zone provision. However, there have been policy changes have impacted the ability to meet the original intent. These policy changes made at the agency level – those made on the merits of grantees and proposals and those subject to Congressional direction – in the determination of allocations and designation shifted the proportion of grants and tax to favor tax incentives over grants.

Round 1 Empowerment Zone grant funds for all three sub-designations (Urban, Rural, Supplemental) saw the largest amounts of monies disbursed by HHS (Urban and Rural) and HUD (Supplemental). In the subsequent Rounds II and II, there was a steep decline in grants monies that went into Empowerment Zone areas. It should be noted however, that in some instances, that was not due to grantees rather recessions made by Congress through legislation.

1 “Facility bonds have been used to finance large construction projects in EZ areas. Local administrators of urban EZs reported that about $643 million in facility bonds were tied to 40 projects over a 16-year period. Of 31 urban EZs in program rounds I through III, fewer than half reported using facility bonds.”

2 “In most Round I EZs and ECs, both urban and rural, poverty rates fell between 1990 and 2000, with most communities experiencing statistically significant decreases in the poverty rate that ranged from 2.6 to 14.6 percent.”
While there has been diminished grants money, the shift towards tax incentives and long-term attractive bonding has allowed for longer term and sustained community development which was an element of Empowerment Zones’ original intent as the GAO found its assessment that “The EZ and EC programs featured facility bonds to aid in the financing of large business projects that were tied to the employment of residents in the designated areas.” Because of this shift in balance away from grant funding, the taxation-specific tenets of Empowerment Zones combined with bond financing have become the prevalent facets of the provision and suggestions for potential reforms will be discussed in response to Question Three (3).

3. Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?

There are two reforms to this provision that would strengthen its efficacy and allow it to better achieve its stated purpose:

The first reform would be the deletion of sub-clause (3) in Section 1397(C)(f) on the eligibility of businesses that occupy adjacent or extend into two census tracts ("Treatment of Businesses Straddling Census Tract Lines"). The definition and stipulation “qualified business” on real property located inside and outside of the Empowerment Zones in sub-clause (3) that requires that the amount of real property inside of the Empowerment Zones be “substantial compared to the amount of real property” outside of the Empowerment Zones.

For commercial development projects ranging from moderate to large scale – often one building or structure – that may straddle two census tracts, the issue arises that we cannot meaningfully or substantially differentiate between the real property inside of the Empowerment Zones and real property outside of the Empowerment Zones. This clause currently undermines the purpose and goal of this provision by discounting the impact and benefit in two census tracts where new jobs are being created, residents are being employed, and economic development is taking root.

The second reform would be to amend sub-clause (5) of Section 1397(C)(B) to broaden the catchment area to meet the 35 percent threshold. We would not change the 35 percent threshold requirement, but this additional reform would include consideration of a census tract that straddles an Empowerment Zones. It would read – if acceptable to the Employment and Community Development Task Force – as follows (new language highlighted):

(5) At least 35 percent of its employees are residents of an empowerment zone or a census tract that straddles an empowerment zone.

The proposed amendment [additional language] to Section 1397C(b) as a result would not expand the number of Empowerment Zones tracts. It would however, allow for this provision to better meet its goal and purpose by to employ residents by including Empowerment Zones contiguous census tracts whose demographics are not dissimilar from Empowerment Zones tracts characterized by similarly high rates of unemployment and have been designated as Opportunity Zones.
If adopted, it would be requested that a third reform to the following sub-clause also have a technical correction to harmonize and permit qualified business entities to accordingly be counted for meeting the employment threshold *now* to include residents of census tracts that straddle Empowerment Zones tracts.

4. **How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?**

The temporary nature of the provisions has negatively impacted this provision’s ability to achieve its stated purpose. Since its first enactment in 1993, there have been five short-term amendments to reauthorize the provisions. In many cases, these were enacted after the authorization had lapsed and required a retroactivity clause to be included for the purposes of tax benefit calculation and reconciliation. The temporary nature of the EZ legislation undermines a goal of the Empowerment Zones program in the first place: to facilitate large-scale commercial investment in those areas. If these provisions were extended for a minimum of ten (10) years, we can mitigate the uncertainty that is held by stakeholders and communities and constructively incent employers to hire local residents and attract new businesses and commerce.

The result of the current practice and maxim of short-term authorizations undermines a company’s ability to make short- and long-term planning and allocation of resources. Given the process of bond financing and the necessary diligence to underwrite and issue bonds may take over a year (roughly 12-18 months) to complete. Greater permanence is vitally necessary and will allow for the appropriate calculation and factoring of cost-savings and impact on wage expenses (e.g. Working Opportunity Tax Credit).

Extending the length of this provision to ten (10) years or longer will be the positive impact on employment and labor force participation. At present, the uncertainty of this provisions has a counter-intuitive result that disincentivizes the hiring of local residents if the legislation has a known short-term expiration and knowledge that the provision has on multiple occasions lapsed. expected to expire in one or two-year intervals. Extending Empowerment Zone tax incentives would eliminate the uncertainty of the legislation for investors, which in turn increases investment in Empowerment Zone communities and encourages hiring and retention of local residents.
Support School Infrastructure by Reinstating QZABs

“If we’re committed to helping every child fulfill his or her potential, then we have to provide safe and modern learning environments for every student.” — Carolyn Smith Evans, Teacher, Salem-Keizer School District, Oregon

POOR CONDITIONS UNDERMINE STUDENT LEARNING

- According to the National Center for Education Statistics, the average public school building in the United States is 44 years old.
- The 2017 Infrastructure Report Card of the American Society of Civil Engineers gives the condition of America’s 100,000 public school buildings an overall grade of D+. Twenty-four percent of schools in permanent buildings and 31 percent of schools in temporary buildings are in “fair” or “poor” condition.
- The U.S. Environmental Protection Agency attributes poor indoor air quality in more than 60,000 schools to cockroaches, rodents, dust mites, fungi, and respiratory irritants from sources of formaldehyde and nitrogen dioxide.
- A 2017 EducationSuperHighway report found that over 19,000 schools serving 11.6 million students “are without the minimum connectivity necessary for digital learning.”

INVEST IN SCHOOL MODERNIZATION AND CONSTRUCTION

- The Investing in 21st Century Schools Act would:
  - Generate a new round of $1.4 billion in Qualified Zone Academy Bonds (QZABs) to help states and localities renovate and build new public schools.
  - QZABs were first issued in 1997 and since that time $9.6 billion have been issued.
    - QZABs allow qualifying schools to finance renovations, repairs, and investments in technology at below-market rates — sometimes, as low as zero. School districts pay back the amount of money borrowed initially, but do not have to pay any interest — typically, about half the cost of renovating a school.
    - Financial institutions holding QZABs receive tax credits in lieu of interest.
  - This legislation would also expand the allowable expenses to new school construction and reduce the 10% private-investment match to 5%.
- QZABs had become one of the “Tax Extenders,” expiring periodically and needing retroactive extension. At the end of 2017, the Tax Cuts and Jobs Act (TJCA) eliminated all tax credit bonds, including QZABs.
- QZABs should be treated similarly to the rest of the current Tax Extenders and get extended. Almost all of the Tax Extenders under current consideration had expired at the time of passage of TCJA and yet were not extended at that time. QZABs should be treated the same as all of these provisions and extended at the earliest opportunity.

June 2019
June 17, 2019

Dear Senator Cantwell,

Along with many of our State’s employers, we want you to know that we hire many WOTC employees. WOTC’s modest incentive helps us to offset some of the extra costs that help us to recruit, hire and retain less skilled workers.

Being located on an Indian Reservation, we were disappointed to see the Indian Employment Credit end at the end of 2017. I don’t have to tell you about the challenging employment numbers for Native Americans. We are encouraged by efforts to retroactively renew this credit.

We urge that you do what you can to make WOTC permanent and to restore the IEC.

Sincerely,

Vickie Silva
Corporate Director of Human Resources
Columbia Valley Orchards
Legacy Fruit Company
Washington Orchard Management
12 Hoffer Rd, Wapato, WA 98951
June 17, 2019

To: The Employment and Development Task Force
Employment&Development_Taskforce@finance.senate.gov

Our company, Elara Caring participates in the Federal Empowerment Zone Tax Credit program (a target group of the Work Opportunity Tax Credit program) and the Work Opportunity Tax Credit (WOTC) program. We have hiring locations in many states including Oklahoma. Therefore, we also participate in the Indian Employment Credit. We view these programs as beneficial to both employers and applicants seeking employment leading to self-sufficiency.

Following the original intent of the program, Elara Caring identifies and hires individuals with the WOTC qualified barriers to employment. Without the WOTC program, it is our belief that many of those hired by our organization and other organizations across the country may not have had the opportunity to be employed today. We believe these programs have met their original intent.

There are many policy changes that have occurred through the years that included enhancing the hiring of additional targeted groups including the long term unemployed and disabled veterans. These changes supported the initial intent of the program and are beneficial to the individuals who meet the criteria. Based on our knowledge, there have not been any external changes that have altered the purpose of the program negatively, only in a positive direction.

There are additional improvements specifically to the WOTC program that we suggest. They include but are not limited to:

- Enhancing the WOTC targeted groups to include SSDI and Disadvantaged Youth
- Making the WOTC program permanent
- Increasing the tax credit value which has not changed since the WOTC program inception of 1996.

We have invested in our technology efforts to include identifying and hiring those who qualify for the WOTC. This is risky to continue doing with such uncertainty of what the future of the WOTC is and encourage the committee to recommend that the WOTC is made permanent.

Please let us know if we can be of any further assistance.

Mark S. Meadors
EVP Human Resources, Employee and Labor Relations
Elara Caring
The Improved Employment Outcomes for Foster Youth Act of 2019 (Casey-Portman-Cardin)
This legislation will make youth formerly in foster care categorically eligible for the Work Opportunity Tax Credit.

Under this legislation, private sector employers that hire qualifying foster youth would be eligible for a tax credit of up to $2400 per year (consistent with other eligible populations). Youth who have spent time in foster care at age 14 or older would be eligible, and employers could access the credit for hiring qualifying youth between the ages of 16 and 27.

Why this is needed:
Transition age foster youth experience some of the worst employment outcomes of any population. According to information provided by iFoster and the NCSL, approximately 50% of former foster youth, who age out at 18, are not employed, those who are employed earn on average $13,989 at age 26 (compared to $32,312 for youth in the general population). Outcomes are improved for youth who stay in foster care beyond age 18, however they are still incredibly vulnerable. Pennsylvania has IV-E extended foster care.

Disability Employment Incentive Act
Includes an increase to WOTC for employers that hire an individual with a disability. Increasing the tax credit to an employer from $2,400 to $5,000 for hiring a person with a disability referred from a state vocational rehabilitation program; the business can take a tax credit of $2,500 if the employee is retained.

The legislation will also:
2) Increase the Architectural Barrier and Transportation Tax Credit from $15,000 to $30,000 when an employer makes their business more physically accessible to an employee or purchases equipment to increase accessibility for employees; this tax credit can be taken for employers who make their websites accessible; and
3) Increase the small business accessibility tax credit; this credit is increased from $5,000 to $10,000 for small businesses that make their businesses more accessible, including their on-line business presence.
To the Employment & Community Development Task Force,

I am excited to see that your Task Force is examining the LIHTC program, however, I am concerned that given the significant and varied special interests supporting the program your Task Force the numerous flaws in the program that need to be looked into and corrected.

Is there a staff member for the Task Force that I can have a brief conversation with to express my concerns?

Thank you.

Alan Cravitz
Chicago
773-562-9801
COMMENTS FOR THE
SENATE FINANCE COMMITTEE,
EMPLOYMENT AND COMMUNITY DEVELOPMENT TASKFORCE

THE WORK OPPORTUNITY TAX CREDIT
SUPPORTS EMPLOYMENT FOR THOSE IN NEED

JUNE 21, 2019
On behalf of TrueBlue, Inc. ("TrueBlue"), thank you for the opportunity to submit this statement for the record. We applaud the Committee for its leadership and willingness to consider the future of certain tax credits. In particular, we applaud the Committee for examining those tax provisions that work how and do what they were intended to.

The Work Opportunity Tax Credit ("WOTC") is such a credit. It encourages employers to take a chance on individuals who face significant barriers for employment. WOTC offsets the risk employers take when they hire individuals who may lack expected skills and experience. Furthermore, in the case of TrueBlue, WOTC influences where we recruit and source our employees, including where we locate our branch offices. WOTC is an important business-related tax provision that has the added benefit of supporting individuals and saving the government money by getting people into jobs and off of public assistance.

As discussed in further detail in this statement, when evaluated against the key criteria of whether a tax provision addresses a compelling need for government intervention and whether a tax provision reflects sound tax policy, WOTC is an important tax policy that should be made permanent.

WORK OPPORTUNITY TAX CREDIT

WOTC is a tax credit provided to employers who hire individuals from several targeted groups who face significant barriers to employment. Examples of WOTC-targeted employee groups include veterans who receive food stamps, experienced long-term unemployment, or have a service-connected disability; people who live in certain enterprise zones; former felons; and members of families who receive benefits under the Temporary Assistance for Needy Families Program ("TANF").

WOTC and its predecessors, the Targeted Jobs Tax Credit ("TJTC") and the Welfare to Work ("WTW") Tax Credit, have existed since 1977, except for a brief lapse in the 1990s. Since WOTC was established in 1996, it has been temporarily extended a dozen times. WOTC was most recently extended as part of the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) and will expire on December 31, 2019, unless renewed or made permanent. As testament to its effectiveness, program eligibility has evolved to include additional populations in need of support.

WOTC is a selective hiring tax incentive, developed to encourage employers to hire workers perceived to have relatively low skill levels, making them less attractive to employers. These groups suffer from higher unemployment and lower wages. Stated differently, WOTC lessens the impact of the productivity gap between the target group members and other workers, encouraging employers to take a chance and hire workers they may otherwise not.

For most targeted groups, WOTC provides a 40% credit on the first $6,000 of qualified wages paid to qualifying employees. The longer an employee works, the greater the credit to the employer. For the employer to receive the maximum 40% credit on $6,000 wage base, the employee must work at least 400 hours. If the employee works between 120 and 399 hours, the employer receives only a partial credit of 25%. No credit is granted for employees who work less than 120 hours.

Once in the workforce, workers in the target groups gain experience and on-the-job training, allowing them to subsequently “climb the ladder” to higher-skilled and higher-paying jobs and transitions off government assistance. Through WOTC, more long-term welfare recipients – the most difficult cases – are being employed in the private sector and seven out of ten welfare recipients are using WOTC to find private sector jobs, according to a 2011 study by Peter Cappelli (attached to submission) of the Wharton Business School at the University of Pennsylvania.

Moreover, WOTC works. In 2019 alone, more that 2.2 million workers found jobs through WOTC*, according to the Department of Labor Office of Workforce Investment. Further, this important tax policy enables these workers to gain self-sufficiency as they earn a steady income and become contributing taxpayers. The Cappelli study found that individuals hired under WOTC go on to become productive employees who are no longer dependent on public assistance. In fact, in a follow up study published in
2013 (attached to submission), Cappelli found that for a onetime investment of $1,560, WOTC saves the government $17,722 for each year the individual remains employediv. The 2011 Cappelli study also found that WOTC is one of the most successful and cost-effective federal employment programs. This finding was echoed in a study by the New York State Department of Labor that found people hired through WOTC stay in the workforce and off of public assistanceiv.

As noted previously, WOTC and its predecessors have existed since 1977, making the provisions part of the fabric of the tax code for over three decades. WOTC was not designed to be a temporary provision, either as a stimulus provision or a provision requiring sunset review. Instead, WOTC was designed to be a permanent policy, though it was enacted as a temporary provision due to budget constraints.

The repeated extensions of WOTC reflect that the tax policy effectively and efficiently addresses an important policy need, which persists even in today’s economy. As employment costs rise—whether due to labor market pressures or new laws and regulations—employers expect more skills and experience. WOTC mitigates that expectation, thus it supports the mobility of people in poverty, including those who dropped from the workforce. It also creates a stronger safety net during recessions. WOTC is necessary, regardless of economic trends. Congress should make WOTC permanent.

**TRUEBLUE & TEMPORARY EMPLOYMENT**

TrueBlue offers a continuum of staffing, recruiting, and workforce solutions. In 2018, TrueBlue connected approximately 730,000 people with work—including 30,000 veterans—and helped nearly 130,000 businesses maintain productivity. We place blue-collar workers for general and skilled labor in temporary jobs through our PeopleReady and PeopleManagement divisions. Our PeopleScout division manages large-scale recruiting processes for permanent placements. Our customers include some of America’s largest companies in industries such as construction, transportation, waste, hospitality, retail, renewable energy, pharmaceuticals, financial services, and manufacturing. With TrueBlue, companies can hire more people faster and make smarter decisions—reducing the risk of layoffs and unemployment.

The temporary jobs that TrueBlue provides offer more than a paycheck—they create opportunities to learn and strengthen skills as well as routes to permanent placement for many who otherwise face barriers to entering the workforce. Annually, up to 35,000 of our applicants are eligible for WOTC, and approximately 27% of those applicants work the requisite hours to qualify for the credit.

The WOTC is a contributing factor to some of our business decisions. For instance, PeopleReady, our on-demand staffing division, frequently sites its branches in communities of need—such as inner cities and disadvantage neighborhoods of Cincinnati, Ohio, and Compton, California, and the South Side of Chicago, Illinois—where people frequently need additional support to transition into and remain in the workforce. In 2018, TrueBlue launched WorkUp, our education program that grants temporary associates the opportunity to take free courses that increase their employability by teaching them everything from soft skills to electrical.

The work that we do, literally changes lives. Take for instance, the story of Michael W., an unemployed veteran who was eligible for WOTC. He walked into our branch in Vancouver, Washington, last July. The staff and our clients valued his attitude and dedication. Sometimes, the team saw Michael waiting in his truck when they arrived at work in the morning. They figured it was Michael’s work ethic, but as they built a relationship with him, they learned that he was living in his truck or at a campsite. Staff reached out to the Veterans Administration to connect Michael for services. As he gained experience, the team progressively assigned him to more skilled jobs at higher pay. Today, because of the consistent, good-paying work that Michael is getting through PeopleReady, and with the help of the U.S. Veterans Administration, he found a place of his own to call home. TrueBlue has many stories like this, and WOTC supports this work.

If someone works for TrueBlue, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy, ensuring that they are eligible to work in the U.S., that all workers’ compensation, unemployment, and income taxes are withheld and
collected, and that W-2s report income accurately. Temporary employment plays a critical role in the economy by providing employment flexibility for workers and businesses and mitigating unemployment. Temporary staffing firms employ more than 13 million people annually, offering millions of people the opportunity to work, particularly those who have been left behind in this labor market.

**CONCLUSION**

WOTC has proven to be an efficient incentive for businesses to provide jobs for workers who might otherwise fall through the cracks. It is a sound tax policy that addresses a compelling need and ultimately saves the government money. WOTC should be made permanent as part of tax reform. In the interim, WOTC should be extended expeditiously so the success of this cost-effective program is not interrupted.

TrueBlue greatly appreciates the opportunity to submit this statement. We are pleased to serve as a resource to the Congress and the Committee on these and related matters.

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ii U.S. Department of Labor, Employment and Training Administration, Office of Workforce Investment, *WOTC Performance Reporting Data*, 01/2019

iii Cappelli, Peter, *A Detailed Assessment of the Value of WOTC*, Wharton School, 04/2013

Senators,

As you know, every few years Congress engages in a ritual extension of expiring tax provisions. The bills extend targeted temporary tax provisions for a variety of business operations, individual expenses, and industries. There is broad bipartisan support for letting all the tax extenders expire.

Almost every extender currently being considered grants an economic privilege tailored to some particular group or business interest. By picking winners and losers, these corrupt policies distort efficient market outcomes. They thereby hamper economic growth and reduce opportunity for individuals and businesses whom Congress did not shower with special favors.

Specifically, in the category of the employment and community development taskforce on temporary tax policy, I believe all off the temporary tax credits should be allowed to expire.

Location-based subsidies have a long history of failing the communities they are designed to help. Government officials, whether in Washington or in state capitals, lack the right knowledge and incentives to centrally plan private investment decisions. The economic literature finds that targeted and place-based economic development incentives are ineffective at meeting their goals and in some cases leave communities worse off than they would have been otherwise. Government planning through subsidies breeds local corruption and further reliance on the government. These wasteful programs tend to benefit the well-connected while perpetuating many of the institutional problems that are the cause of economic decline. Government policy should not pick winners and losers; it should strive to treat everyone equally.

The following four economic development tax programs should be permanently repealed.

**New Markets Tax Credit (NMTC).** The only rigorous empirical assessment of the NMTC to date found the program to be largely ineffective at meeting its goals of increasing community investment and development. The study found that most Community Development Entity investments were relocated investments rather than new net investments, suggesting that “all NMTC investments do not likely represent new funds to low-income communities.”

**Empowerment Zone Tax Incentives.** Extensive research on Empowerment Zones finds few benefits for targeted communities. A Congressional Research Service (CRS) evaluation of zone incentives notes that studies from the Department of Housing and Urban Development (HUD) and the Government Accountability Office (GAO) have “failed to link” zone designation with “improvement in community outcomes.” The CRS report explains that directly benefiting businesses and investors were made better off, but a wide range of studies consistently find no “general improvement in the economic conditions of the locals.” They conclude that the record of economic development subsidies should “call into question the cost-effectiveness of these programs.”

**American Samoa Economic Development Credit & Indian Employment Tax Credit.** These credits have similar failings as Empowerment Zones and the NMTC. In the case of the American Samoa Economic Development Credit, the benefits accrue primarily to a Starkist tuna cannery.

In light of the new Opportunity Zone designation included in the 2017 tax reform, these programs are not only ineffective but also redundant.
I would be happy to discuss with you in greater detail the topics included here or any other tax extender. Please feel free to contact me if I can be of assistance in any way.

Sincerely,
Adam N. Michel

Adam Michel
Senior Policy Analyst, Fiscal Policy
Institute for Economic Freedom
The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002
202-608-6142
heritage.org
Comments of the Kickapoo Traditional Tribe of Texas

Indian Employment Tax Credit

June 28, 2019

For Submission to the Employment and Community Development Task Force
Senate Finance Committee
United States Senate
Washington, D.C. 20510
Employment&Development_Taskforce@finance.senate.gov.

The Kickapoo Traditional Tribe of Texas requests that the Indian Employment Tax Credit be made permanent and that its terms must be updated and revised to fulfill its intended purpose. The Kickapoo Traditional Tribe of Texas presents our views on the original purpose and intent of the provision as well as our recommended reforms below.

To improve employment opportunities for tribal members, Section 45A of the Internal Revenue Code offered an Indian employment credit to businesses who hire a "qualified employee." Section 45A provides that a "qualified employee" is an employee who is an enrolled member of an Indian tribe or the spouse of an enrolled member of an Indian tribe. The Indian employment credit offers an employer a 20% tax credit on an amount that may not exceed $20,000 of the wages and employee health insurance costs paid to the qualified employee.

The effectiveness of the incentive to hire tribal members has been limited by the uncertainty associated with its short-term extensions (and recurring need for retroactive extensions). Its value has also diminished over time due to the effects of inflation. The base year for the employment tax credit is 1993. This base year has not been updated since the credit was enacted. As a result, the incentive is incremental and tied to 1993 wages and health insurance costs.

To reform the Indian Employment Tax Credit to better achieve its intended purpose, Congress should permanently extend the Indian employment tax credit. Further, Congress should update the base year to eliminate the need for taxpayers to maintain tax records dating back to 1993, and restore the incremental design of the credit. It is also requested that Congress modify the tax credit formula to the average of qualified wages and health insurance costs from the last two tax years so that the credit keeps pace with inflation. Congress should also expand the wage amount to include up to at least $30,000 in qualifying wages and health insurance costs per eligible employee and raise the "high wage jobs" from $45,000 to at least $60,000.
Dear Senators Portman and Cantwell:

As you continue your work examining tax policies within the Workforce and Community Development Taskforce, I write to you today to share my opposition to the extension of the American Samoa Economic Development Tax Credit, or Section 30A.

As you know, the American Samoa Economic Development Tax Credit was a tax credit that distorted the market in favor of one company in the canned tuna industry—Starkist. Georgia’s 12 Congressional District, my home district, is home to a manufacturing plant for Chicken of the Sea in Lyons, which currently employs more than 200 Georgians. Lyons is located in rural Toombs County, and the plant is one of the largest employers in the area. I am worried that an extension of the American Samoa Economic Development Tax Credit could negatively affect job creation or the expansion of existing plants. Recently, Starkist cited the uncertainty of Section 30A’s extension as a reason why they have delayed the transition of jobs and facilities in California to American Samoa.

On the heels of tax reform, we must look forward to continue to grow the economy and create American jobs—not look backward to revive narrow, off-code tax breaks that have since been repealed. As you continue your work on this important taskforce, I would appreciate you keeping my thoughts in mind.

Sincerely,

Rick W. Allen
Member of Congress
June 28, 2019

The Honorable Rob Portman  
Co-Lead, Employment &  
Community Development Task Force  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Maria Cantwell  
Co-Lead, Employment &  
Community Development Task Force  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senators Portman and Cantwell,

I am writing today on behalf of Chicken of the Sea International (COSI). Headquartered in El Segundo, California, COSI uses responsible fishing practices to source its seafood products from around the world, and packages a significant amount at a state-of-the-art processing facility in Lyons, Georgia, among other company-owned facilities.

According to Chairman Grassley and Ranking Member Wyden, your task force is charged with finding long-term solutions to temporary tax policy. The Chairman went on to state that “if there’s little or no case for continuing the temporary policy, the taskforce should consider whether the provision should be eliminated.” **COSI feels strongly that the American Samoa Economic Development Credit (ASEDC) belongs in this category, and should be left to expire permanently.**

As a direct shelf competitor with the principal beneficiary of the American Samoa Economic Development Credit, identified by the Congressional Research Service as Starkist, Chicken of the Sea strongly opposes efforts to resurrect the expired and functionally obsolete credit, which would serve only to distort a highly competitive canned seafood market.

To understand the original intent of the ASED, one must go back to its precursor, the Possessions Tax Credit (PTC) under Section 936. The PTC was enacted in 1976 to encourage investment and economic development in U.S. territories. After two decades of decidedly mixed results, Congress in 1996 voted to phase out the credit over the course of 10 years. In doing so it created the Puerto Rico Economic Activity Credit under Section 30A, which applied specifically to the commonwealth, while the other territories retained interim PTC treatment. While Section 936 and Section 30A expired at the end of 2005, Congress created temporary follow-on incentives to encourage insular investment and economic development for two of the five permanently inhabited territories—a deduction for production activities in Puerto Rico under Section 199, and the ASED under Section 30A. Both were created as temporary measures by the same legislation, the Tax Relief and Health Care Act of 2006, and were meant to expire after 2007. As we now know, both were extended for another decade; notably, however, only ASED is currently under consideration for revival by Congress.
A great deal has happened since the last time the extenders were scrutinized by Congress via the PATH Act, not least the changes brought by the Tax Cuts and Jobs Act. TCJA itself did two important things: first, it repealed the underlying criteria used to determine eligibility for the credit, qualified production activities income (QPAI) defined under Section 199. This change rendered the aforementioned deduction for domestic production activities in Puerto Rico sufficiently moot that the committee is no longer considering its extension. Second, TCJA created the federal opportunity zone under Section 1400Z, a policy meant to incentivize economic development and investment in distressed areas. Treasury has since released guidance identifying the entire territory of American Samoa as a qualified opportunity zone (QOZ). Unlike the ASEDCA, Section 1400Z incentivizes new investment, applies broadly to low-income communities, and is not limited to a pair of incumbent claimants. And finally, in the immediate wake of TCJA, both the code section housing the ASEDCA (Sec. 30A) and the precursor credit its eligibility is based on (Sec. 936) were repealed as part of the Tax Technical Corrections title of the 2018 omnibus. Now entirely off-code, the imputed legislative text is riddled with references to former code sections whose rules the credit and its computations are based on.

While the condition of American Samoa (among other U.S. territories) deserves Congress’ serious consideration, a tax provision substantially benefitting a single taxpayer—an earmark according to Senate Rule XLIV—is the worst imaginable approach helping the island and its workers. The structure of the credit, available exclusively to historical claimants of a since-repealed code section that expired nearly two decades ago, precludes any argument for its economic efficacy.

With all of this in mind, it is time for Congress to let go of the American Samoa Economic Development Credit once and for all, as it has already done with similar tax breaks for every other U.S. territory.

We appreciate your thoughtful consideration of temporary tax policy, and how to deal with the extenders on a permanent basis. Too often Congress is unable or unwilling to scrutinize these provisions individually and make decisions based on their respective merits. Thank you for your consideration, and we look forward to working with you to resolve the tax treatment of American Samoa in a way that treats companies fairly whether they are investing on the U.S. mainland or specific territories.

Signed;

Craig P. Rexroad
Director, Business Affairs, Chicken of the Sea, Inc.
My name is Allen Benton and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 20 McDonald's stores in the Austin Metropolitan area, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 10 percent of my new hires in 2018 were people who received government assistance beforehand. We hired 1,100 new hires in 2018 and 92 qualified for the program.

As of today for 2019, we have hired close to 585 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Allen Benton
My name is Becki Russell and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 20 McDonald's stores in the Austin Metropolitan area, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 10 percent of my new hires in 2018 were people who received government assistance beforehand. We hired brought 1,100 new hires in 2018 and 92 qualified for the program.

As of today for 2019, we have hired close to 585 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Becki Russell
My name is Dana Cook and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 11 McDonald's stores in Kansas, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

In 2018 I hired more than 1,000 employees that could qualify for the program.

As of today for 2019, I've hired 475 employees.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,
Dana Cook
My name is Ken Kades and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 53 McDonald's stores in the Houston Metropolitan area, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 15 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 570 qualified employees of roughly 3,700 new hires.

As of today for 2019, we have hired 1,217 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Kenneth Kades
The Kades Corp.
My name is Kevin Moore and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 10 McDonald's stores in Texas, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

In 2018 I hired more than 549 employees and 111 qualified for the program.

As of today for 2019, I've hired 237 employees that could qualify.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,
Kevin Moore
My name is Travis Clarke and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 23 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 96 qualified employees of roughly 413 new hires.

As of today for 2019, we have hired 39 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Travis Clarke
My name is Ursula Comire and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of 10 McDonald's stores in Texas, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

In 2018 I hired more than 427 employees and 101 qualified for the program.

As of today for 2019, I've hired 175 employees that could qualify.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,
Ursula Comire
My name is William Story and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live’s of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 19 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 44 qualified employees of roughly 227 new hires.

As of today for 2019, we have hired 20 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

William Story
My name is Mike Doherty and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald’s stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 19 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 86 qualified employees of roughly 456 new hires.

As of today for 2019, we have hired 54 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Mike Doherty
My name is Jennifer Yaw and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

As of today for 2019, we have hired 35 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Jennifer Yaw
My name is Joshua Ramsey and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 17 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 18 qualified employees of roughly 105 new hires.

As of today for 2019, we have hired 19 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Joshua Ramsey
My name is Lynne Doherty and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 19 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 86 qualified employees of roughly 456 new hires.

As of today for 2019, we have hired 54 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

Not including the WOTC program as a permanent part of tax reform would have a detrimental impact upon my organization, affecting the number of employees I hire, the benefits I offer my employees, and the financial impact my company stores have in their respective communities.

I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Lynne Doherty
My name is Peaches Ledwidge and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 13 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 32 qualified employees of roughly 254 new hires.

As of today for 2019, we have hired 56 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

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I urge you to consider is the issue, and I hope I can count on your support for making the WOTC program permanent.

Thank you for your time.

Respectfully,

Peaches Ledwidge
My name is Steve Leonard and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the lives of the employees that I hire that qualify for this program.

Additionally, WOTC is undoubtedly not just a tax break - it is a highly effective solution for reducing government dependence and spending overall in both the federal and state level while reintegrating high-risk individuals back into the workforce.

I am proud to state that almost 17 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 316 qualified employees of roughly 1809 new hires.

As of today for 2019, we have hired 144 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

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Thank you for your time.

Respectfully,

Steve Leonard
My name is Susan Fenwick and I am writing this letter to count on your support for the continuation for the Work Opportunity Tax Credit (WOTC) Program. As a Franchise Owner of McDonald's stores, I can inform you firsthand of the huge benefits Work Opportunity Tax Credits have had for my organization with little to no drawbacks. The reason I support this program is for the economic difference it makes in the communities in which my restaurants are located in and in the live's of the employees that I hire that qualify for this program.

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I am proud to state that almost 68 percent of my new hires in 2018 were people who received government assistance beforehand, and that translates to close to 11 qualified employees of roughly 16 new hires.

As of today for 2019, we have hired 27 employees that may potentially qualify for the program for this 2019 tax year.

The benefits of the Work Opportunity Tax Credit Program far outweigh the costs of due to the reduction of the dependency of government assistance and the expansion of the workforce while also increasing private sector employment.

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Respectfully,

Susan Fenwick
Dear Task Force Members,

As an employer we are pleased when we can make a contribution to our community and make our business more competitive in the market place at the same time. The Work Opportunity Tax Credit program helps us to do exactly that. As a WOTC consultant we are also able to enjoy helping other employers do the same.

We see how WOTC encourages our clients to focus on hiring applicants who are utilizing public assistance programs and assisting them in becoming independent, self-sufficient and able to support themselves and their families. The tax incentive realized with the WOTC affords employers opportunities to direct resources toward training and developing new hires who might not otherwise be considered due to the high cost of training. Our clients have come to count on WOTC to help their bottom line and it sometimes can mean the difference between staying in business or not. We have also seen how having the WOTC program approved longer term has encouraged employers to continue participation and feel more confident in the program and in taking the risk of hiring those applicants who are often difficult to employ.

Studies by Dr. Peter Cappelli have demonstrated that the US saves close to $18,000 net of the credit in public assistance costs for each individual brought into the workforce as a result of the WOTC incentive. Over the ten year budget cycle this translates into close to $150 billion savings on the Federal level and $40 billion to state governments.¹

We understand that this task force has the power to recommend making WOTC a permanent program and we encourage you to do so on our behalf.

¹ *The 2017 Tax Cuts and Jobs Act and the Work Opportunity Tax Credit;* July 2018; Peter Cappelli, George W. Taylor Professor of Management, The Wharton School, University of Pennsylvania

Best Regards,

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Best Regards,

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Best Regards,

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Best Regards,

Cindy Adkins
(360) 901-1348
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Best Regards,

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Office# 937-223-1010
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Best Regards,

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Best Regards,

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Best Regards,

Kim

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Best Regards,

Lewis Myers

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Best Regards,

Natalie

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Best Regards,

Nick Weber
Client Account Rep

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Dear Task Force Members,

As an employer, we are pleased when we can make a contribution to our community and make our business more competitive in the market place at the same time. The Work Opportunity Tax Credit program helps us to do exactly that.

It encourages us to focus on hiring applicants who are utilizing public assistance programs. The tax incentive provides the extra resources we need to help those eligible to become successful employees. At the same time, we can feel confident that we are doing something to help people transition from public assistance dependency to self-sufficiency. We have seen how those who we hire through WOTC can gain self-confidence and a more positive outlook on life. Having that first job can help them to believe in themselves and the prospect that they will be able to provide for themselves and their families over time. This program offers the reward that makes it worthwhile by affording us resources we might otherwise not have to focus on hiring entry level workers, which makes it a win for both us and our employees.

Additionally, studies by Dr. Peter Cappelli, Professor of Management at The Wharton School and Director of Wharton’s Center for Human Resources, demonstrated that the US saves close to $18,000 net of the credit in public assistance costs for each individual brought into the workforce as a result of the WOTC incentive. Over the ten year budget cycle this translates into close to $150 billion on the Federal level and $40 billion to state governments.¹

It is our understanding that this task force has the power to recommend making WOTC a permanent program and we encourage you to do so on our behalf.

¹ The 2017 Tax Cuts and Jobs Act and the Work Opportunity Tax Credit; July 2018; Peter Cappelli, George W. Taylor Professor of Management, The Wharton School, University of Pennsylvania

Warm Regards,

Joshua McKee
Founder/CEO
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Thanks for reaching out on the mine rescue team training credit (IRC 45N). The mine rescue credit was authored by Senators Santorum and Rockefeller in 2006.

The mining industry is committed to providing the most effective training and the most advanced safety equipment available. Training and equipment is expensive and always evolving. The United States’ mining industry provides the best equipment and training in the world and our safety record reflects that investment. The industry continuously adopts the latest, cutting-edge safety technology and procedures. Training is expensive, and the tax credit is a valuable tool to help domestic mining enterprises compete in a global marketplace where the margins for domestically produced commodities are thin. Increasing the available credit from $10,000 to $50,000 would provide a much-needed boost to the competitiveness of the domestic mineral extraction industry.

NMA has long supported making an enhanced mine rescue team training credit permanent.

Again, thanks for reaching out. Please call me if I can provide any additional information.

Best Regards,

Jerry Mullins
National Mining Association
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