

103^D CONGRESS
2^D SESSION

H. R. 4512

To amend the Internal Revenue Code of 1986 to provide employers a refundable credit for hiring AFDC recipients.

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 1994

Mr. GEJDENSON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide employers a refundable credit for hiring AFDC recipients.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Welfare to Work Act
5 of 1994”.

6 **SEC. 2. SENSE OF THE CONGRESS.**

7 It is the sense of the Congress that—

8 (1) the lack of entry level jobs which lead to
9 permanent gainful employment is a significant im-

1 pediment to the ability of welfare recipients to enter
2 the workforce;

3 (2) even the healthiest economy would be hard-
4 pressed to create the requisite number of entry level
5 jobs necessary to provide permanent employment to
6 a significant percentage of AFDC recipients;

7 (3) funds which are currently spent for AFDC
8 payments would have greater economic value if ex-
9 changed for work;

10 (4) “make work” government workfare pro-
11 grams to require work to exchange for AFDC pay-
12 ments are no substitute for experience in the private
13 sector, which develops valuable skills and can lead to
14 permanent, gainful employment; and

15 (5) in order to break the cycle of welfare, maxi-
16 mize the economic value of AFDC payments by ex-
17 changing them for work, provide AFDC recipients
18 with a pathway to permanent, gainful employment,
19 and support the efforts to business to hire AFDC re-
20 cipients, a one-year tax credit should be extended to
21 businesses for wages paid to employees whose em-
22 ployment results in a termination of AFDC eligi-
23 bility.

1 **SEC. 3. REFUNDABLE CREDIT FOR HIRING AFDC RECIPI-**
2 **ENTS.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 (relating to refundable credits) is amended by redес-
6 ignating section 35 as section 36 and by inserting after
7 section 34 the following new section:

8 **“SEC. 35. EMPLOYMENT OF AFDC RECIPIENTS.**

9 “(a) ALLOWANCE OF CREDIT.—There shall be al-
10 lowed as a credit against the tax imposed by this subtitle
11 for the taxable year an amount equal to the sum of—

12 “(1) 50 percent of qualified first-year wages to
13 the extent such wages do not exceed \$6,000, plus

14 “(2) 25 percent of such wages to the extent
15 such wages exceed \$6,000 but do not exceed
16 \$12,000.

17 “(b) QUALIFIED FIRST-YEAR WAGES.—For purposes
18 of this section—

19 “(1) IN GENERAL.—The term ‘qualified first-
20 year wages’ means, with respect to any individual,
21 qualified wages attributable to services rendered dur-
22 ing the 1-year period beginning with the day the in-
23 dividual begins work for the employer.

24 “(2) LIMITATION IF CREDIT ALLOWED TO
25 OTHER EMPLOYER.—The 1-year period referred to
26 in paragraph (1) shall be reduced (but not below

1 zero) by the aggregate of the prior periods the indi-
2 vidual rendered services for other employers to the
3 extent the wages for such periods were taken into
4 account as qualified first-year wages by any other
5 employer and such periods exceeded 12 months in
6 the aggregate.

7 “(3) QUALIFIED WAGES.—The term ‘qualified
8 wages’ means wages paid or incurred by the em-
9 ployer during the taxable year to qualified former
10 AFDC recipients.

11 “(4) WAGES.—Except as provided in subsection
12 (d)(4), the term ‘wages’ has the meaning given such
13 term by section 51(d) (determined without regard to
14 paragraph (4) thereof).

15 “(c) QUALIFIED FORMER AFDC RECIPIENT.—For
16 purposes of this section, the term ‘qualified former AFDC
17 recipient’ means any individual if such individual is cer-
18 tified by the designated local agency (as defined in section
19 51(d)(15))—

20 “(1) as being a member of a family with respect
21 to which benefits were being paid under a State plan
22 approved under part A of title IV of the Social Secu-
23 rity Act immediately before such individual’s employ-
24 ment with the employer, and

1 “(2) whose wages from the employer are suffi-
2 cient to render such family ineligible for such bene-
3 fits.

4 Such term shall not include any individual who is a mem-
5 ber of a targeted group (as defined in section 51(d)).

6 “(d) PROHIBITION ON REPLACING EXISTING WORK-
7 ERS FOR PURPOSES OF OBTAINING CREDIT.—No credit
8 shall be allowed by this section for wages paid to a quali-
9 fied former AFDC recipient who replaces an employee
10 whose performance is satisfactory and who is terminated
11 without cause.

12 “(e) CERTAIN DEFINITIONS AND SPECIAL RULES TO
13 APPLY.—Rules similar to the rules of subsections (d)(16),
14 (f), (g), (h), (i), (j), and (k) of section 51, and section
15 52, shall apply for purposes of this section.”

16 (b) TECHNICAL AMENDMENTS.—

17 (1) Subsection (a) of section 280C of such Code
18 (relating to certain expenses for which credits allow-
19 able) is amended by inserting “35(a),” before
20 “45(a)”.

21 (2) Paragraph (2) of section 1324(b) of title
22 31, United States Code, is amended by inserting be-
23 fore the period “or from section 35 of such Code”.

24 (3) The table of sections for subpart C of part
25 IV of subchapter A of chapter 1 of such Code is

1 amended by striking the last item and inserting the
2 following new item:

“Sec. 35. Employment of AFDC recipients.
“Sec. 36. Overpayments of tax.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to individuals who begin work for
5 the employer after the date of the enactment of this Act.

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