

Senator Grassley Moves On Tax Extenders

When Congress resumed last week, Senate Finance Committee Chairman Charles Grassley joined with Democratic ranking member Ron Wyden to approach Ways and Means Committee Chairman Richard Neal and Republican Ranking Member Kevin Brady with the goal of producing a bi-partisan tax extenders bill acceptable to both houses.

Staffs of these "four horsemen," including the Joint Committee on Taxation, have just begun work, so the wait is to determine whether there's intention to honor the broad consensus for long-range policy via permanency that both tax-writing committees committed to this year, or will this be another stop-gap bill of two or three years?

The final round is beginning. It's quite likely the Grassley initiative will decide the question for this year.

Instead of writing a "chairman's mark" for extenders in the Senate alone, Senator Grassley is aiming for a bicameral chairman's mark bearing solid support that'll pass both houses and the White House budget watchdogs who scrub every bill.

Senator Grassley's four-sided talks allows House Republicans, who are a minority in the House, to work with their majority in the Senate when negotiating for their priorities; similarly, the Democratic majority in the House can work with their colleagues in the Senate to boost the case for their priorities.

Expect every tax extender to be evaluated and prioritized from the four different perspectives; this includes not only WOTC, but the VOW To Hire Heroes Act veterans job credits, Indian Employment Tax Credit, Empowerment Zone tax credit, and Employee Retention Credit for disaster areas.

In addition, small business recommendations include: new target groups for military spouses and reservists, transitioning foster youth, removal of age-40 cap on SNAP recipients, extending WOTC to all recipients of Social Security Disability Insurance, extending WOTC to private non-profit employers to open more jobs in healthcare and education, and amending the Indian Employment Tax Credit as proposed by the Senate Employment and Community Development Task Force.

There are clear obstacles to success of Senator Grassley's initiative. Ways and Means has approved measures to expand the Earned Income and Child and Dependent Care tax credits-these may be unacceptable to Senate Republicans. Ways and Means Ranking Member Brady has proposed a short-list of technical amendments to TCJA, which Democrats have balked on. Some Ways and Means Democrats want the extenders to be paid for, as well as softening the burden of the state and local tax deduction.

These and other issues will have to be prioritized and sorted out in the days ahead.

We estimate the odds are good for the Grassley initiative producing an extenders bill containing significant number of expired and due-to-expire provisions. The odds of passage are another thing.

WOTC

For too long, Congress has allowed sections of the tax code which taxpayers have relied upon to expire. This is no way to conduct the public's business. It's unfair to taxpayers who must wait, and often suffer financial loss, to obtain recompense for a tax benefit that has expired. Congress has often promised this issue will be rectified, but the uncertainty of not knowing when Congress will get around to enacting a remedy for the loss associated with an expired tax provision continues.

The obvious solution is a tax code with fewer temporary provisions. Congress should make permanent all existing temporary provisions judged to be meritorious, and allow those remaining to be terminated or, if necessary, continue temporarily. The Ways and Means Committee held a hearing on this matter this year and agreed with this solution. We believe the Senate Finance Committee agrees also.

The work opportunity tax credit is not a handout to an employer, rather it's a win-win for the American people. A disadvantaged worker gets a job, which is the object intended by Congress, a job he might never have been hired for without WOTC. The employer is pleased because he has filled a job vacancy and receives a tax credit. Their community prospers from spending by the worker and employer. These communities have their share of poverty areas and people on welfare. With WOTC, job applications identify these individuals, and employers get referrals from local welfare agencies, veterans, and disability organizations. Many of them are hard-up for income, food, and clothing, many are ill or depressed, and wouldn't ordinarily be hired if it weren't for WOTC. We're helping the neediest people in our communities to find work-this is the aim of WOTC-it's the best anti-poverty program for the cost, and without it, many people who deserve a chance to work aren't going to get that chance.

A low unemployment rate, with more job openings than takers is being misconstrued, it doesn't mean WOTC isn't needed. Everyone competes for a job, has qualifications checked. WOTC workers compete with high school graduates, often from better schools. The July employment report shows the unemployment rate for those between ages 16-24 is 9.1 percent, not the 3.7 percent national average; for blacks and Hispanics, the unemployment rate is higher. Department of Labor data shows most WOTC workers are in this lower age group. Moreover, the labor force participation of those between 16-24 is 61.8 percent in July, a far cry from 77.5 percent in July 1989, confirming that many young people are "disconnected youth," 6 million neither employed nor in school. Many who've been homeless or in poverty have given up looking for work and are counted as "discouraged workers" and "marginally attached to the workforce"-5.7 million in June 2019. Governors have identified more than 8,000 "opportunity zones" of high poverty where people's opportunity to escape is falling rather than improving according to the latest data from the Census Bureau. These chronically unemployed workers comprise the specially targeted populations aided by WOTC. BLS numbers 11 million individuals in the lowest wage decile of employed workers, and 28 percent of them found jobs through WOTC. WOTC works for the people it was intended for, those stuck at the bottom, and as each year a new cohort of these populations commences its journey, WOTC must be there.