



POSITION PAPER

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TAX CREDITS FOR EMPLOYERS OF RESERVISTS

Requested Action:

ROA urges Congress to support employer tax credits and other positive incentives as means to help offset costs associated with employees' Reserve Component activities, and to support extending credits beyond 2013 for hiring or employing a Reserve or National Guard member.

Pressure from employer is listed as one of the top reasons why Reserve Force members quit the Armed Forces. The following tax credits would help offset employer costs associated with employees' Reserve activities and reinforce employer support.

- Enact tax credits for health care and differential pay expenses for deployed Reserve Component employees.
- Offer a tax credit to help small business owners to continue an employee's health care, providing an option to TRICARE in areas not covered by the military health network.
- Provide tax credits to offset costs for temporary replacements of deployed Reserve Component employees.
- Support tax credits to employers who hire unemployed veterans who have served in overseas contingency operations.

Discussion

While the 112th Congress passed the *American Tax Payer Relief Act of 2012* that extended an employer's tax credit for hiring or employing a military Reserve or National Guard member, this provision sunsetted at the end of 2013 but credits need to be made permanent.

Non-affiliated veterans are more likely to be employed than Reserve and Guard members. The highest unemployment percentage is among Guard and Reservists. The rate has been over 30 percent unemployed for 18 to 24 year olds who are all affiliated with the Reserve Component. The unemployment rate is on the rise for those between 25 and 29, hitting almost 14 percent in January 2014. Veterans over 30 years of age have had their unemployment drop to below 7 percent, as they are less likely to rejoin the military.

Reserve Component: Many employers support Reserve Force members through extending pay and benefit coverage during mobilization, yet despite their patriotism, surveys found that these periods of absence add unanticipated employer expense as the ongoing overseas operational contingencies cause multiple years of activation. The military plans to continue to activate

By carrying extra costs employers of Reserve Component employees are subsidizing the Total Force; a force that is dependent upon its Reserve. Today's increased tempo makes employer support more important than ever.

Facing multiple call-ups, Reservists are beginning to find employment or reemployment difficult. Anecdotes about employers refusing to hire or employ individual Reservists continue to surface as operations continue in Afghanistan. Other companies may not be overtly breaking the

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law, but could be utilizing subtle personnel policies that reduce career opportunities for returning Reservists. The Uniformed Services Employment and Reemployment Act (USERRA) provides a negative incentive for employers to abide by the law. Tax credits provide a corresponding positive incentive.

Unemployed Veterans: Deployed National Guard and Reserve members are returning home to face unemployment rates far higher than the national average. The National Guard bureau has reported unemployment figures of 21 percent as the average for the Guard in all 54 regions. DoD continues to pay unemployment when Reserve Force members can't find work.

The bad economy has caused some companies to have reductions in work force, and in some case a few businesses actually close. For other veterans, it is easier to seek different employment rather than face reemployment problems with their previous employer. Some veteran's simply choose a new career path.

As National Guard and Reserve members are veterans who continue to serve, periods of unemployment may cause them to leave the military. Tax Credits for hiring unemployed veterans not only help these individuals, but help with readiness and retention.

Tax credits to employers of mobilized Reserve Component employees would be a prudent fiscal policy. Such credit would be offset by reducing defense expenses from added costs of recruiting and training individuals with no prior service.

Background:

ROA has supported tax credits for employers of Reservists for many years. Employers as well as deployed Guard and Reserve employees make sacrifices. Reservists' employers are shouldering the burden of extra costs to support national defense when their employees participate in the military.

These preceding proposals grew out of lessons learned from employers and Reserve members who supported Operations Desert Shield and Desert Storm. The extended mobilization and stop-loss authorities enacted by the president and the service secretaries to support Operations Iraqi Freedom and Enduring Freedom in Afghanistan have served to only exacerbate potential problems.

The 110th^h Congress passed the *Heroes Earnings Assistance and Relief Tax Act of 2008* including an employer tax credit for differential pay, this provision will be sunsetted at the end of 2011 and needs to be extended.

The *American Recovery and Reinvestment Act of 2009* did include a provision for a tax credit to employers hiring unemployed veterans. This authority was extended by the *VOW to Hire Heroes Act 2011*.

President Obama signed into law the *American Tax Payer Relief Act of 2012* in January extending expiring tax credits and deductions through 12/31/2013. The bill made these retroactive back to January 1, 2012. The legislation extended the VOW WOTC as well as employer credits for military Reservists.



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