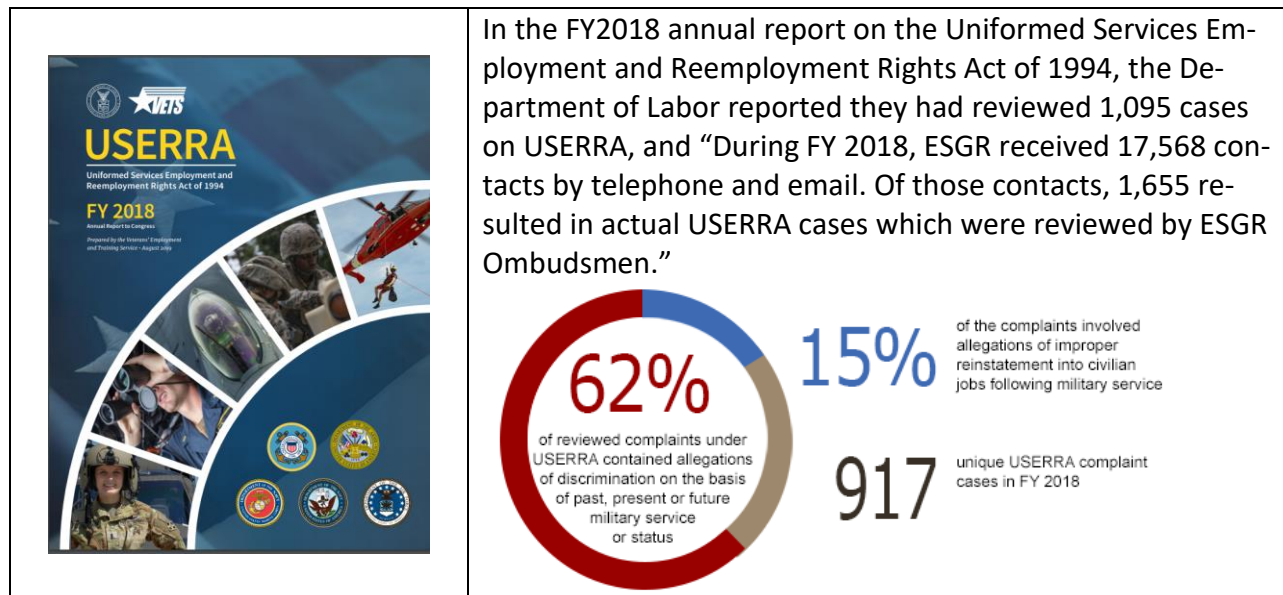


## Tax Credit for Employers of Reserve Component Servicemembers

Guard and Reserve service members continue to experience problems maintaining employment because of the demands for meeting the steady operational support provided to the Active Component. In February 2017 the Department of Labor found Gulf War-era II veterans continue to have higher unemployment rates than their civilian counterparts.



While employers have tried to support national security, it would be naïve to think they are not encountering their own problems during these times. Companies are absorbing the cost of replacing servicemembers with temporary employees or increasing overtime to fill the vacancy of mobilizations. Servicemembers have told ROA that they are seeing fewer and fewer Guard and Reserve being hired because of the cost and disruption to companies. That is exacerbated in high-demand specialties. Because the purpose of tax credits is to promote a specific behavior, ROA believes offering tax credits to companies will encourage them to hire Guard and Reserve members.

In the 116<sup>th</sup>, 1<sup>st</sup> Session of Congress **H.R. 801, the Reserve Component Employer Incentive, Compensation, and Relief Act of 2019** was introduced to provide an employer tax credit:

The tax credit provides a scalable benefit for each employee based on the number of days missed for uniformed service. It covers Reservist employed and equals \$1,000 plus an amount depending on day of service in uniform during the year:

- 30-89 days of service à \$3,000
- 90-179 days of service à \$5,000
- 180+ days of service à \$10,000

**H. R. 801**

To amend the Internal Revenue Code of 1986 to allow for a credit against tax for employers of reservists.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 25, 2019

Mr. RYAN (for himself and Mr. PALAZZO) introduced the following bill; which was referred to the Committee on Ways and Means

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**A BILL**

To amend the Internal Revenue Code of 1986 to allow for a credit against tax for employers of reservists.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Reserve Component Employer Incentive, Compensation, and Relief Act of 2019”.

**SEC. 2. RESERVIST EMPLOYMENT CREDIT.**

(a) ALLOWANCE OF CREDIT.—Subpart D of part IV of subchapter A of [chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

**“SEC. 45T. RESERVIST EMPLOYMENT CREDIT.**

“(a) ESTABLISHMENT OF CREDIT.—For purposes of section 38, in the case of an eligible employer, the reservist employment credit for a taxable year is an amount equal to the sum of the reservist credit amount for each qualified reservist employed by such employer at any time during such taxable year.

“(b) RESERVIST CREDIT AMOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘reservist credit amount’ means, with respect to a qualified reservist for a taxable year, an amount equal to the sum of—

“(A) \$1,000, plus

“(B) in the case of a qualified reservist—

“(i) with 30 or more days, and fewer than 90 days, of service in the uniformed services during such year, \$3,000,

“(ii) with 90 or more days, and fewer than 180 days, of service in the uniformed services during such year, \$5,000, and

“(iii) with 180 or more days of service in the uniformed services during such year, \$10,000.

“(2) DAYS OF SERVICE.—For purposes of paragraph (1), days of service shall only be taken into account with respect to a qualified reservist employed by an eligible employer to the extent such days are during a period of employment of such reservist by such employer.

“(3) QUALIFIED RESERVIST.—The term ‘qualified reservist’ means, with respect to a taxable year, an individual who is, at any time during such taxable year, a member of the National Guard or a reserve component of the Armed Forces, as named in section 10101 of title 10, United States Code (except for a member of the Individual Ready Reserve).

“(4) OTHER DEFINITIONS.—The terms ‘reserve component’, ‘active service’, ‘full-time National Guard duty’, ‘active Guard and Reserve duty’, and ‘inactive-duty training’ have the meanings given such terms in section 101 of title 10, United States Code. The term ‘National Guard’ has the meaning given such term in section 101(3) of title 32, United States Code. The term ‘service in the uniformed services’ has the meaning given such term in section 4303 of title 38, United States Code.

“(c) ELECTION TO HAVE CREDIT NOT APPLY.—

“(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

“(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(j) shall apply for purposes of this subsection.”.

(b) CREDIT PART OF GENERAL BUSINESS CREDIT.—[Section 38\(b\)](#) of the Internal Revenue Code of 1986 is amended by striking “plus” at the end of paragraph (31), by striking the period at the end of paragraph (32) and inserting “, plus”, and by adding at the end the following new paragraph:

“(33) in the case of an eligible employer (as defined in section 45T(c)), the reservist employment credit determined under section 45T(a).”.

(c) CREDIT ALLOWED AGAINST AMT.—Subparagraph (B) of [section 38\(c\)\(4\)](#) of the Internal Revenue Code of 1986 is amended by redesignating clauses (x) through (xii) as clauses (xi) through (xiii), respectively, and by inserting after clause (ix) the following new clause:

“(x) the credit determined under section 45T.”.

(d) CONFORMING AMENDMENTS.—

(1) DENIAL OF DOUBLE BENEFIT.—[Section 280C\(a\)](#) of the Internal Revenue Code of 1986 is amended by inserting “45T(a),” after “45S(a),”.

(2) ELECTION TO HAVE CREDIT NOT APPLY.—[Section 6501\(m\)](#) of the Internal Revenue Code of 1986 is amended by inserting “45T(d),” after “45S(h),”.

(3) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of [chapter 1](#) of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“Sec. 45T. Reservist employment credit.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid in taxable years beginning after December 31, 2019.