

H.I.R.E. on the Hill

Lawmakers Continue to Negotiate Agreement on Tax-Cut Legislation That Would Extend the Work Opportunity Tax Credit; Members Expect that Conferees Will Soon Come to Consensus

Congress has recently been working on broad legislation to renew a number of tax cut and credit programs. In December, the House of Representatives approved H.R. 4297 and the Senate approved a similar version of the legislation on February 2nd. Both approved versions of H.R. 4297 include a provision to extend the Work Opportunity Tax Credit, which expired on December 31st.

The Work Opportunity Tax Credit (WOTC) provides an incentive for employers to hire, train, and retain job seekers, including “qualified ex-felons,” who often experience barriers to employment. The WOTC is available to employers who employ people from one of eight targeted groups, including “qualified ex-felons.” A “qualified ex-felon” is defined as an individual who (1) has a state or federal felony conviction; (2) is a member of an economically disadvantaged family and (3) is hired within in one year of release from prison or from date of conviction. This credit can reduce an employer’s federal income tax liability by as much as \$2,400 per qualified new worker.

Although the provision to extend the WOTC in both tax bills is identical, there are a number of other differences between the pieces of legislation that Congress needs to reconcile before the President can sign the bill into law and the tax credit program can be reauthorized. It has been reported that House and Senate negotiators are close to agreement and are aiming to resolve differences before Congress adjourns for the Memorial Day recess in May. As in the past, the WOTC is expected to apply retroactively once Congress does reauthorize the program. More information about H.R. 4297, the bill containing a provision to extend the WOTC, can be found at: <http://thomas.loc.gov>.

Budget Process Stalls Prior to Two-Week Congressional Recess; Likelihood of a House Budget Resolution and a House-Senate Conference Agreement Remains Uncertain

Despite attempts to come up with an agreement on the 2007 fiscal year budget resolution, which serves as a blueprint for the budget process, the U.S. House of Representatives failed to approve their version of a budget resolution before adjourning for the two-week Easter recess. The resolution recently approved by the House Budget Committee, which would set discretionary spending at the level requested by the President in his FY 2007 budget, did not come up for a vote in the full House. It was reported that a number of moderate Republicans were working with the House leadership to secure additional funding for health, education and labor programs. However, an agreement was not forged prior to Congress’s adjournment for recess.

In mid-March, the Senate approved a \$2.8 trillion budget resolution for the 2007 fiscal year. The Senate budget resolution includes \$17 billion more in spending than requested in the President’s FY 2007 budget. Among the numerous amendments proposed to the budget resolution, Senators Arlen Specter (R-PA), Chairman of the Senate Appropriations Labor, Health and Human Services, and Education (LHHS) Subcommittee, and Tom Harkin (D-IA), Ranking Member of the LHHS Subcommittee, offered an amendment to add \$7 billion to the sections of the budget that cover health, education and training, and worker safety programs. The Senate approved this amendment with a 73 to 27 vote. Voting in favor of the amendment were all the Democratic Senators, Senator James Jeffords (I-VT), and Republican

Senators Arlen Specter (PA), Thad Cochran (MS), Lamar Alexander (TN), Pete Domenici (NM), Pat Roberts (KS), Mike DeWine (OH), Susan Collins (ME), Lisa Murkowski (AK), Orrin Hatch (UT), Lincoln Chafee (RI), Trent Lott (MS), John Warner (VA), John Thune (SD), Richard Lugar (IN), Norm Coleman (MN), Olympia Snowe (ME), Chuck Hagel (NE), Elizabeth Dole (NC), Robert Bennett (UT), Bill Frist (TN), George Voinovich (OH), Conrad Burns (MT), Ted Stevens (AK), Jim Talent (MO), Kay Bailey Hutchison (TX), Charles Grassley (IA), Gordon Smith (OR), and Rick Santorum (PA).

Once the House and Senate each pass their version of the FY 07 budget resolution and approve a conference agreement to reconcile any differences, the chairs of the House and Senate Appropriations Committees receive their spending allocations, which they then divide into sub-allocations for each of their Subcommittees. However, if the House fails to approve a budget resolution, or if the House and Senate are unable to come up with a conference agreement, a cap on discretionary spending could be approved by other means.

It has been reported that the House plans to continue negotiations on a budget package when the body returns from the recess during the week of April 24th. Additional information about the budget resolution approved by the Senate can be found at: <http://thomas.loc.gov>; the budget resolution approved by the House Budget Committee can be found at: <http://www.house.gov/budget>.