

110TH CONGRESS
2D SESSION

S. 2648

To amend the Workforce Investment Act of 1998 to improve programs carried out through youth opportunity grants, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 14, 2008

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Workforce Investment Act of 1998 to improve programs carried out through youth opportunity grants, and for other purposes.

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 “Supporting Training
5 and Employment Potential for Underemployed Popu-
6 lations Act” or the “STEP UP Act”.

7 **TITLE I—YOUTH OPPORTUNITY**
8 **GRANT PROGRAM**

9 **SEC. 101. FINDINGS.**

10 Congress finds the following:

1 (1) Finding employment that provides steady
2 income and a career track is a problem for young,
3 undereducated men and women who lack educational
4 credentials and are disconnected from the labor mar-
5 ket.

6 (2) That problem is particularly acute for
7 young African-American men. In 2006, over $\frac{1}{5}$, or
8 21.8 percent, of black men ages 16 through 24 were
9 unemployed. This is roughly double the unemploy-
10 ment rate for all young men (11.2 percent).

11 (3) Even over a period of relative economic
12 growth, employment for disconnected African-Amer-
13 ican men has declined. In 1999, 65 percent of Afri-
14 can-American male high school dropouts were jobless
15 and not looking for work. In 2004, that rate had
16 risen to 72 percent.

17 (4) The Youth Opportunity Grant Program was
18 established in the Workforce Investment Act of 1998
19 to provide intensive job training and placement ac-
20 tivities as well as other educational, social, and rec-
21 reational services to at-risk, hard-to-serve youth.

22 (5) The Youth Opportunity Grant Program
23 built upon the most promising strategies of previous
24 demonstration programs that strongly suggest the
25 effectiveness of intensive case management and fol-

1 low-up services in assisting disconnected young men
2 and women in finding long-term employment.

3 (6) By reauthorizing and refining the Youth
4 Opportunity Grant Program, Congress could help
5 make strides against those serious problems faced by
6 both young African-American men and other discon-
7 nected youth.

8 (7) Over the course of the Youth Opportunity
9 Grant Program, 36 localities with high poverty rates
10 received funding through grants. The Youth Oppor-
11 tunity Grant Program was effective in assisting
12 hard-to-reach populations. The Department of Labor
13 estimates that 42 percent of the eligible youth and
14 62 percent of the eligible out-of-school youth in the
15 target areas enrolled in the Youth Opportunity
16 Grant Program.

17 (8) Further understanding of the successes of,
18 challenges faced by, and shortcomings of, the Youth
19 Opportunity Grant Program in the past, and in the
20 future, will require extensive evaluation and study by
21 the Department of Labor.

22 **SEC. 102. YOUTH OPPORTUNITY GRANTS.**

23 Section 169 of the Workforce Investment Act of 1998
24 (29 U.S.C. 2914) is amended to read as follows:

1 **“SEC. 169. YOUTH OPPORTUNITY GRANTS.**

2 “(a) GRANTS.—

3 “(1) IN GENERAL.—Using funds made available
4 under subsection (j), the Secretary shall make
5 grants to eligible local boards described in subsection
6 (c) and eligible entities described in subsection (d) to
7 carry out programs that provide activities described
8 in subsection (b) for youth and young adults. The
9 boards and entities shall carry out the programs to
10 increase the long-term employment of youth and
11 young adults who seek assistance and who live in
12 empowerment zones, enterprise communities, or high
13 poverty areas.

14 “(2) DEFINITION.—In this section:

15 “(A) HARD-TO-SERVE YOUNG ADULT.—

16 The term ‘hard-to-serve young adult’ means an
17 individual who is—

18 “(i) not less than age 25 and not
19 more than age 30; and

20 “(ii)(I) an unemployed individual;

21 “(II) a school dropout;

22 “(III) an individual who has not re-
23 ceived a secondary school diploma or its
24 recognized equivalent;

25 “(IV) an ex-offender; or

1 “(V) a noncustodial parent with a
2 child support obligation.

3 “(B) YOUTH OR YOUNG ADULT.—The
4 term ‘youth or young adult’ means an indi-
5 vidual who is not less than age 14 and not more
6 than age 30.

7 “(3) GRANT PERIOD.—The Secretary may
8 make a grant under this section for a 2-year period,
9 and may renew the grant for each of the 3 suc-
10 ceeding years.

11 “(4) GRANT AWARDS.—In making grants under
12 this section, the Secretary shall ensure that grants
13 are distributed equitably among local boards and en-
14 tities serving urban areas and local boards and enti-
15 ties serving rural areas, taking into consideration
16 the poverty rate in such urban and rural areas, as
17 described in subsection (c)(3)(B).

18 “(b) USE OF FUNDS.—

19 “(1) IN GENERAL.—A local board or entity that
20 receives a grant under this section shall use the
21 funds made available through the grant to provide
22 job training and employment activities and related
23 services, including—

24 “(A) activities that meet the requirements
25 of section 129;

1 “(B) youth development activities such as
2 activities relating to leadership development,
3 citizenship, and re-entry from the justice and
4 juvenile justice systems, community service, and
5 recreation activities; and

6 “(C)(i) workforce preparation and attitudinal training;

7 “(ii) sector-specific skills training as described in subsection (f)(1)(D);

8 “(iii) educational completion services, including classes that lead to a secondary school diploma or its recognized equivalent (and programs to prepare for such a class), remedial reading and mathematics classes (including classes to prepare an individual to read and do mathematics at a college level), and skills certification and credentialing programs;

9 “(iv) access to internships, transitional jobs, work experience, and nontraditional employment opportunities;

10 “(v) access to other services either directly
11 or through an organization that enters into a
12 strategic partnership described in subsection (e)
13 with the local board or entity, including parenting
14 classes for fathers and mothers, financial
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1 literacy services, services to improve health care
2 (and mental health care) treatment and access,
3 and services to improve access to affordable
4 housing and shelter; and

5 “(vi) assistance in obtaining the earned in-
6 come credit under section 32 of the Internal
7 Revenue Code of 1986 and obtaining benefits
8 through government entitlement programs, such
9 as the Medicaid program under title XIX of the
10 Social Security Act (42 U.S.C. 1396 et seq.)
11 and unemployment compensation programs, as
12 well as other State and local entitlement pro-
13 grams that may be applicable.

14 “(2) INTENSIVE PLACEMENT AND FOLLOW-UP
15 SERVICES.—In providing activities under this sec-
16 tion, a local board or entity shall provide—

17 “(A) intensive placement services; and

18 “(B) follow-up services, including case
19 management, every 2 months for not less than
20 24 months after the completion of participation
21 in the other activities described in this sub-
22 section, as appropriate.

23 “(3) LIMITATION ON USE FOR HARD-TO-SERVE
24 YOUNG ADULTS.—The local board or entity shall not
25 use more than 25 percent of the funds made avail-

1 able through the grant to provide activities for hard-
2 to-serve young adults.

3 “(c) ELIGIBLE LOCAL BOARDS.—To be eligible to re-
4 ceive a grant under this section, a local board shall serve
5 a community that—

6 “(1) has been designated as an empowerment
7 zone or enterprise community under section 1391 of
8 the Internal Revenue Code of 1986;

9 “(2)(A) is a State without a zone or community
10 described in paragraph (1); and

11 “(B) has been designated as a high poverty
12 area by the Governor of the State; or

13 “(3) is 1 of 2 areas in a State that—

14 “(A) have been designated by the Governor
15 as areas for which a local board may apply for
16 a grant under this section; and

17 “(B) meet the poverty rate criteria set
18 forth in subsections (a)(4), (b), and (d) of sec-
19 tion 1392 of the Internal Revenue Code of
20 1986.

21 “(d) ELIGIBLE ENTITIES.—To be eligible to receive
22 a grant under this section, an entity (other than a local
23 board) shall—

24 “(1) be a recipient of financial assistance under
25 section 166; and

1 “(2) serve a community that—

2 “(A) meets the poverty rate criteria set
3 forth in subsections (a)(4), (b), and (d) of sec-
4 tion 1392 of the Internal Revenue Code of
5 1986; and

6 “(B) is located on an Indian reservation or
7 serves Oklahoma Indians, or Native villages or
8 Native groups (as such terms are defined in
9 section 3 of the Alaska Native Claims Settle-
10 ment Act (43 U.S.C. 1602)).

11 “(e) STRATEGIC PARTNERSHIPS.—

12 “(1) LOCAL BOARDS.—An eligible local board
13 may—

14 “(A) work independently to provide activi-
15 ties under this section; or

16 “(B) enter into a strategic partnership to
17 provide activities under this section with 1 or
18 more entities consisting of—

19 “(i) a community-based job training
20 provider who is an eligible provider identi-
21 fied in accordance with section 122(e)(3),
22 or another provider selected by the local
23 board;

24 “(ii) State or local government enti-
25 ties;

1 “(iii) labor organizations;

2 “(iv) other entities described in the
3 statement of need required by subsection
4 (f)(1)(C);

5 “(v) private sector employers;

6 “(vi) educational institutions, includ-
7 ing secondary schools (which may be public
8 schools, parochial schools, or other private
9 schools) or community colleges; or

10 “(vii) entities in the judicial system,
11 entities in the juvenile justice system, or
12 organizations representing probation and
13 parole officers.

14 “(2) ENTITIES.—An eligible entity may—

15 “(A) work independently to provide activi-
16 ties under this section; or

17 “(B) enter into a strategic partnership to
18 provide activities under this section with—

19 “(i) the local board; and

20 “(ii) 1 or more entities described in
21 paragraph (1)(B).

22 “(f) APPLICATION.—To be eligible to receive a grant
23 under this section, a local board or entity shall submit an
24 application (individually or as part of a strategic partner-
25 ship described in subsection (e)) to the Secretary at such

1 time, in such manner, and containing such information as
2 the Secretary may require, including—

3 “(1)(A) a description of the activities that the
4 local board or entity will provide under this section
5 to youth and young adults in the community de-
6 scribed in subsection (c) or (d);

7 “(B) a description of the strategic partnership
8 referred to in subsection (e), if any, that the appli-
9 cant intends to enter into to provide activities under
10 this section;

11 “(C)(i) information describing how the appli-
12 cant will coordinate the planning and implementa-
13 tion of the activities to be carried out under the
14 grant with entities serving youth in the community
15 involved, including the one-stop operator and one-
16 stop partners in the local workforce investment sys-
17 tem, educational institutions including institutions of
18 higher education, child welfare agencies, entities in
19 the juvenile justice system, foster care agencies, and
20 such other community-based organizations as may
21 be appropriate; and

22 “(ii) a statement of need for the community;

23 “(D) information identifying employment sec-
24 tors in the local and regional economy that could
25 employ youth and young adults served under the

1 grant and a plan to provide sector-specific skills
2 training for jobs in those sectors and employment
3 opportunities in those sectors; and

4 “(E) information identifying the specific role, if
5 any, that private sector employers in growing em-
6 ployment sectors in the local and regional economy
7 will play in that plan, including information describ-
8 ing their skills training curricula and job placement
9 programs;

10 “(2) a description of the performance measures
11 negotiated under subsection (h), and the manner in
12 which the local boards or entities will carry out the
13 activities to meet the performance measures;

14 “(3) a description of the manner in which the
15 activities will be linked to activities described in sec-
16 tion 129; and

17 “(4) a description of the community support,
18 including financial support through leveraging addi-
19 tional public and private resources, for the activities.

20 “(g) CONSIDERATION.—In making grants under this
21 section, the Secretary shall give special consideration to
22 a local board or entity that submits an application under
23 subsection (f) as part of a strategic partnership described
24 in subsection (e) that includes a private sector employer
25 if the employer agrees to—

1 “(1) commit to hire youth and young adults
2 who complete the program carried out under the
3 grant involved;

4 “(2) provide personnel, facilities, equipment,
5 and a skills training curriculum for the program;

6 “(3) provide internships, mentoring, and ap-
7 prenticeship opportunities for participants in the
8 program; or

9 “(4) provide funding, scholarships, and access
10 to specified employer-based resources for the pro-
11 gram.

12 “(h) PERFORMANCE MEASURES.—

13 “(1) IN GENERAL.—The Secretary shall nego-
14 tiate and reach agreement with the local board or
15 entity on performance measures, for the indicators
16 of performance referred to in subparagraphs (A) and
17 (B) of section 136(b)(2), that will be used under
18 paragraph (3) to evaluate the performance of the
19 local board or entity in carrying out the activities de-
20 scribed in subsection (b). Each local performance
21 measure shall consist of such an indicator of per-
22 formance, and a performance level referred to in
23 paragraph (2).

1 “(2) PERFORMANCE LEVELS.—The Secretary
2 shall negotiate and reach agreement with the local
3 board or entity regarding the—

4 “(A) overall performance levels expected to
5 be achieved by the local board or entity on the
6 indicators of performance; and

7 “(B) separate performance levels for those
8 indicators for the performance of the board or
9 entity—

10 “(i) regarding participants in the ac-
11 tivities who are not less than age 14 and
12 not more than age 24; and

13 “(ii) regarding participants in the ac-
14 tivities who are not less than age 25 and
15 not more than age 30.

16 “(3) EVALUATIONS AND REPORTS.—

17 “(A) EVALUATIONS.—

18 “(i) EVALUATIONS OF PRIOR ACTIVI-
19 TIES.—Not later than 2 years after the
20 date of enactment of the Supporting
21 Training and Employment Potential for
22 Underemployed Populations Act, the Sec-
23 retary shall complete the evaluations de-
24 scribed in paragraph (1) of local boards
25 and entities, using performance measures

1 with overall performance levels described in
2 paragraph (2)(A), concerning activities
3 carried out under subsection (b) prior to
4 that date of enactment.

5 “(ii) EVALUATIONS OF NEW ACTIVITIES.—Not later than 2 years after a local
6 board or entity receives a grant under this
7 section after that date of enactment, the
8 Secretary shall conduct the evaluations de-
9 scribed in paragraph (1) of that local
10 board or entity, using performance meas-
11 ures with overall performance levels de-
12 scribed in paragraph (2)(A) and perform-
13 ance measures with separate performance
14 levels described in paragraph (2)(B).

16 “(iii) COMPARISON GROUPS.—The
17 evaluations conducted under this para-
18 graph shall include evaluations of carefully
19 matched comparison groups.

20 “(B) REPORTS.—The Secretary shall pre-
21 pare a report, based on the evaluations de-
22 scribed in subparagraph (A)(i), that contains
23 the baseline data obtained and that begins to
24 detail the best practices of recipients of grants
25 under this section throughout the Nation. The

1 Secretary shall prepare an annual report, based
2 on the evaluations described in subparagraph
3 (A)(ii), that contains the data obtained and
4 that details the best practices of recipients of
5 grants under this section throughout the Na-
6 tion, with attention to how different activities
7 impact both different demographic sectors of
8 the population and different age groups in the
9 population.

10 “(4) USE.—If the Secretary, in conducting
11 evaluations under paragraph (3), determines that a
12 local board or entity fails to meet the performance
13 measures for 2 fiscal years, the local board or entity
14 shall not be eligible to receive a grant under this sec-
15 tion for a subsequent fiscal year.

16 “(i) INCENTIVES FOR BUSINESS PARTNERS.—The
17 Secretary shall establish a plan to increase the availability
18 of bonds through the Federal Bonding Program carried
19 out through the Employment and Training Administration
20 to employers that are partners in the programs carried
21 out under this section.

22 “(j) AUTHORIZATION OF APPROPRIATIONS.—There
23 is authorized to be appropriated to carry out this section
24 \$250,000,000 for fiscal year 2008 and each subsequent
25 fiscal year.”.

1 **SEC. 103. CONFORMING AMENDMENTS.**

2 Section 127 of the Workforce Investment Act of 1998
3 (29 U.S.C. 2852) is amended—

4 (1) in subsection (a)(1)—

5 (A) by striking “sections” and inserting
6 “section”; and

7 (B) by striking “and 169” and all that fol-
8 lows and inserting “; and”; and

9 (2) in subsection (b)(1)(A)—

10 (A) in clause (i), by striking “provide
11 youth opportunity” and all that follows through
12 “grants) and”; and

13 (B) by striking clause (iv).

14 **TITLE II—EARNED INCOME TAX**
15 **CREDIT ENHANCEMENT**

16 **SEC. 201. SHORT TITLE.**

17 This title may be cited as the “Earned Income Tax
18 Credit Enhancement Act of 2007”.

19 **SEC. 202. FINDINGS.**

20 Congress finds the following:

21 (1) The earned income tax credit is considered
22 one of the most successful antipoverty programs in
23 the United States. Previous expansions of the earned
24 income tax credit in the 1990s were instrumental in
25 lifting families, especially single parents, out of pov-
26 erty by increasing income and building assets.

1 (2) However, the earned income tax credit pro-
2 vides little assistance for childless workers and non-
3 custodial parents. The credit for childless workers is
4 only 15 percent of the credit for a worker with 1
5 child.

6 (3) Increasing the maximum earned income tax
7 credit amount for childless workers would help to lift
8 more individuals out of poverty and mirror the suc-
9 cessful credit expansion of the 1990s. Additionally,
10 lowering the age of eligibility will extend this impor-
11 tant credit to the growing population of young
12 adults living in poverty.

13 (4) Although the effectiveness of the work op-
14 portunity tax credit has come under scrutiny, the
15 credit is limited in scope. The credit is only available
16 to employers and offers no benefits to employees to
17 encourage job retention. Additionally, the credit only
18 addresses short-term job retention, not long-term
19 employment.

20 (5) Expanding the work opportunity credit to
21 employees and increasing the time period of the
22 credit's availability could provide greater incentives
23 for employees to stay in their jobs and for employers
24 to retain these workers over long-term periods.

1 **SEC. 203. ENHANCEMENTS TO EARNED INCOME TAX CRED-**
2 **IT.**

3 (a) CREDIT ALLOWED FOR CERTAIN CHILDLESS IN-
4 DIVIDUALS OVER AGE 18.—

5 (1) IN GENERAL.—Subclause (II) of section
6 32(c)(1)(A)(ii) of the Internal Revenue Code of
7 1986 (relating to eligible individual) is amended by
8 striking “age 25” and inserting “age 21”.

9 (2) EXCEPTION FOR FULL-TIME STUDENTS.—
10 Paragraph (1) of section 32(c) of such Code is
11 amended by adding at the end the following new
12 subparagraph:

13 “(G) EXCEPTION FOR FULL TIME STU-
14 DENTS.—The term ‘eligible individual’ shall not
15 include any individual described in subpara-
16 graph (A)(ii) if such individual has not attained
17 the age of 25 before the close of the taxable
18 year and is a full time student for more than
19 one half of such taxable year.”.

20 (b) MODIFICATION OF CREDIT AMOUNT FOR INDI-
21 VIDUALS WITHOUT QUALIFYING CHILDREN.—

22 (1) MODIFICATION OF CREDIT PERCENTAGE.—
23 The last row in the table in section 32(b)(1)(A) of
24 the Internal Revenue Code of 1986 is amended by
25 striking “7.65” in the middle column and inserting
26 “15.30”.

1 (2) MODIFICATION OF PHASEOUT AMOUNT.—
2 Subparagraph (A) of section 32(b)(2) of such Code
3 is amended to read as follows:

4 “(A) IN GENERAL.—Subject to subpara-
5 graph (B)—

6 “(i) in the case of an eligible indi-
7 vidual with 1 qualifying child—

8 “(I) the earned income amount is
9 \$6,330, and

10 “(II) the phaseout amount is
11 \$11,610,

12 “(ii) in the case of an eligible indi-
13 vidual with 2 or more qualifying children—

14 “(I) the earned income amount is
15 \$8,890, and

16 “(II) the phaseout amount is
17 \$11,610, and

18 “(iii) in the case of an eligible indi-
19 vidual with no qualifying children—

20 “(I) the earned income amount is
21 \$4,220, and

22 “(II) the phaseout amount is 200
23 percent of the dollar amount applica-
24 ble under subclause (I).”.

1 (c) INCREASED CREDIT FOR CERTAIN INDIVIDUALS
2 WITHOUT QUALIFYING CHILDREN.—

3 (1) IN GENERAL.—Paragraph (1) of section
4 32(b) of the Internal Revenue Code of 1986 is
5 amended by striking subparagraphs (B) and (C) and
6 inserting the following:

7 “(B) INCREASED CREDIT FOR CERTAIN IN-
8 DIVIDUALS WITHOUT QUALIFYING CHILDREN.—
9 In the case of an eligible individual described in
10 subparagraph (C), the credit percentage under
11 subparagraph (A) shall be 30.6 percent.

12 “(C) ELIGIBLE INDIVIDUAL DESCRIBED.—
13 An eligible individual is described in this sub-
14 paragraph with respect to a taxable year if—

15 “(i) with respect to such eligible indi-
16 vidual for the taxable year, another indi-
17 vidual—

18 “(I) bears a relationship to the
19 eligible individual described in section
20 152(c)(2),

21 “(II) meets the requirements of
22 section 152(c)(3), and

23 “(III) has the same principal
24 place of abode as the eligible indi-

1 vidual for less than one-half of such
2 taxable year,

3 “(ii) such eligible individual is re-
4 quired to make child support payments
5 with respect to the individual described in
6 clause (i), and

7 “(iii) such eligible individual has made
8 all such required child support payments
9 during the taxable year.

10 For purposes of clause (iii), an eligible indi-
11 vidual shall be treated as having made all re-
12 quired child support payments during a taxable
13 year if such eligible individual has made child
14 support payments in an amount not less than
15 the total amount of child support payments re-
16 quired for such eligible individual for such tax-
17 able year.”.

18 (2) NOTIFICATION OF FAILURE TO PAY CHILD
19 SUPPORT.—Section 464(b) of the Social Security
20 Act (42 U.S.C. 664(b)) is amended by adding at the
21 end the following new paragraph:

22 “(3) The Secretary shall use notices of past-due
23 support under this section in administering the
24 earned income tax credit under section 32 of the In-
25 ternal Revenue Code of 1986 for eligible individuals

1 described in subsection (b)(1)(C) of such section.
2 The regulations promulgated pursuant to this sub-
3 section shall require States to submit such notices at
4 a time adequate to allow the Secretary to properly
5 administer such credit for such individuals.”.

6 (d) REPEAL OF EGTRRA SUNSET.—Section 901 of
7 the Economic Growth and Tax Relief Reconciliation Act
8 of 2001 (relating to sunset provisions) shall not apply to
9 the amendments made by section 303 of such Act (relating
10 to marriage penalty relief for earned income credit; earned
11 income to include only amounts includible in gross income;
12 simplification of earned income credit).

13 (e) ELECTION TO AVERAGE EARNED INCOME.—
14 Paragraph (2) of section 32(c) of the Internal Revenue
15 Code of 1986 is amended by adding at the end the fol-
16 lowing new subsection:

17 “(n) ELECTION TO AVERAGE EARNED INCOME.—

18 “(1) IN GENERAL.—Under rules established by
19 the Secretary, in the case of an eligible individual
20 who has made an election under this subsection,
21 subsection (a) shall be applied—

22 “(A) by substituting ‘the taxpayer’s 2-year
23 averaged earned income’ for ‘the taxpayer’s
24 earned income for the taxable year’ in para-
25 graph (1) thereof, and

1 “(B) by substituting ‘2-year averaged
2 earned income’ for ‘earned income’ in para-
3 graph (2)(B) thereof.

4 “(2) 2-YEAR AVERAGED EARNED INCOME.—For
5 purposes of this subsection, the term ‘2-year aver-
6 aged earned income’ means, with respect to any tax-
7 able year, the average of—

8 “(A) the taxpayer’s earned income for such
9 taxable year, and

10 “(B) the taxpayer’s earned income for the
11 preceding taxable year.”.

12 (f) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2007.

15 **SEC. 204. CARRYBACK AND CARRYFORWARD OF STANDARD**
16 **DEDUCTION AND PERSONAL EXEMPTION DE-**
17 **DUCTIONS.**

18 (a) STANDARD DEDUCTION.—Section 63 of the In-
19 ternal Revenue Code of 1986 (relating to taxable income
20 defined) is amended by adding at the end the following
21 new subsection:

22 “(g) CARRYBACK AND CARRYFORWARD OF DEDUC-
23 TIONS FOR INDIVIDUALS WHO DO NOT ITEMIZE.—

24 “(1) IN GENERAL.—In the case of an eligible
25 taxpayer, if the sum of the deductions described in

1 subsection (b) exceeds the amount of the adjusted
2 gross income of such taxpayer for such taxable year
3 (hereinafter in this subsection referred to as the ‘un-
4 used deduction year’), such excess may be—

5 “(A) carried back to the preceding taxable
6 year, and

7 “(B) carried forward to each of the 2 tax-
8 able years following the unused deduction year

9 “(2) AMOUNT CARRIED TO EACH YEAR.—

10 “(A) ENTIRE AMOUNT CARRIED TO FIRST
11 YEAR.—The entire amount of the unused de-
12 duction for an unused deduction year shall be
13 carried to the earliest of the 3 taxable years to
14 which (by reason of paragraph (1)) such deduc-
15 tion may be carried.

16 “(B) AMOUNT CARRIED TO OTHER 2
17 YEARS.—The amount of the unused deduction
18 for the unused deduction year shall be carried
19 to each of the other 2 taxable years to the ex-
20 tent that such unused deduction may not be
21 used for a prior taxable year because of the
22 amount of adjusted gross income of the tax-
23 payer for such taxable year.

24 “(3) ELIGIBLE TAXPAYER.—For purposes of
25 this subsection, the term ‘eligible taxpayer’ means,

1 with respect to any taxable year, a taxpayer with re-
 2 spect to whom a credit under section 32 is allowable
 3 for such taxable year.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 this section shall apply to taxable years beginning after
 6 the date of the enactment of this Act.

7 **SEC. 205. ADVANCED REFUNDABLE CREDIT FOR MEMBERS**
 8 **OF TARGETED GROUPS.**

9 (a) ALLOWANCE OF CREDIT.—

10 (1) IN GENERAL.—Subpart C of part IV of sub-
 11 chapter A of chapter 1 of the Internal Revenue Code
 12 of 1986 (relating to refundable credits) is amended
 13 by redesignating section 36 as section 37 and by in-
 14 serting after section 35 the following new section:

15 **“SEC. 36. EMPLOYMENT CREDIT FOR MEMBERS OF TAR-**
 16 **GETED GROUPS.**

17 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 18 gible individual, there shall be allowed as credit against
 19 the tax imposed by this title for the taxable year an
 20 amount equal to \$500.

21 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
 22 section—

23 “(1) IN GENERAL.—The term ‘eligible indi-
 24 vidual’ means an individual who is a member of a
 25 targeted group and—

1 “(A) who—

2 “(i) has worked exactly 1,500 hours
3 for an employer during any period begin-
4 ning on the date such individual was hired
5 and ending with or within the taxable year,
6 and

7 “(ii) was continuously employed by
8 such employer during such period, or

9 “(B) who—

10 “(i) began work with an employer
11 during any 52-week period ending with or
12 within such taxable year, and

13 “(ii) was continuously employed by
14 such employer during such 52-week period.

15 “(2) MEMBER OF A TARGETED GROUP.—The
16 term ‘member of a targeted group’ has the meaning
17 given such term under section 51(d).

18 “(c) SPECIAL RULES.—For purposes of subsection
19 (a)—

20 “(1) only 1 employer may be taken into account
21 with respect to any eligible individual for any taxable
22 year, and

23 “(2) an individual may not be treated as an eli-
24 gible individual more than once with respect to any
25 employer.

1 For purposes of this subsection, rules similar to the rules
2 of subsections (a) and (b) of section 52 shall apply.

3 “(d) COORDINATION WITH ADVANCE PAYMENTS.—

4 “(1) RECAPTURE OF EXCESS ADVANCE PAY-
5 MENTS.—If any payment is made to the individual
6 by an employer under section 3511 during any cal-
7 endar year, then the tax imposed by this chapter for
8 the individual’s last taxable year beginning in such
9 calendar year shall be increased by the aggregate
10 amount of such payments.

11 “(2) RECONCILIATION OF PAYMENTS AD-
12 VANCED AND CREDIT ALLOWED.—Any increase in
13 tax under paragraph (1) shall not be treated as tax
14 imposed by this chapter for purposes of determining
15 the amount of any credit (other than the credit al-
16 lowed by subsection (a)) allowed under this part.

17 “(e) COORDINATION WITH CERTAIN MEANS TESTED
18 PROGRAMS.—For purposes of—

19 “(1) the United States Housing Act of 1937,

20 “(2) title V of the Housing Act of 1949,

21 “(3) section 101 of the Housing and Urban De-
22 velopment Act of 1965,

23 “(4) sections 221(d)(3), 235, and 236 of the
24 National Housing Act, and

25 “(5) the Food Stamp Act of 1977,

1 any refund made to an individual (or the spouse of an
 2 individual) by reason of this section, and any payment
 3 made to such individual (or such spouse) by an employer
 4 under section 3511, shall not be treated as income (and
 5 shall not be taken into account in determining resources
 6 for the month of its receipt and the following month).”.

7 (2) CONFORMING AMENDMENTS.—

8 (A) Section 1324(b)(2) of title 31, United
 9 States Code, is amended by inserting before the
 10 period at the end “, or enacted by section 204
 11 of the Earned Income Tax Credit Enhancement
 12 Act of 2007”.

13 (B) The table of sections for subpart A of
 14 part IV of subchapter A of chapter 1 of the In-
 15 ternal Revenue Code of 1986 is amended by re-
 16 designating the item relating to section 36 as
 17 relating to section 37 and by inserting after the
 18 item relating to section 35 the following new
 19 item:

“Sec. 36. Employment credit for members of targeted groups.”.

20 (b) ADVANCED PAYMENTS.—

21 (1) IN GENERAL.—Chapter 25 of the Internal
 22 Revenue Code of 1986 (relating to general provi-
 23 sions relating to employment taxes) is amended by
 24 adding at the end the following new section:

1 **“SEC. 3511. ADVANCED PAYMENT OF EMPLOYMENT CREDIT**
2 **FOR MEMBERS OF TARGETED GROUPS.**

3 “(a) IN GENERAL.—Except as otherwise provided in
4 this section, every employer making a payment of wages
5 for a payroll period to an individual who is an eligible em-
6 ployee with respect to such payroll period shall, at the time
7 of paying such wages, make an additional payment to such
8 employee of \$500.

9 “(b) ELIGIBLE EMPLOYEE.—For purposes of this
10 section, the term ‘eligible employee’ means, with respect
11 to any payroll period, an individual—

12 “(1) who is an eligible individual (as defined by
13 section 36(b)), and

14 “(2) with respect to whom an eligibility certifi-
15 cate under this section is in effect.

16 “(c) ELIGIBILITY CERTIFICATE.—For purposes of
17 this title, an eligibility certificate under this section is a
18 statement furnished by an employee to the employer
19 which—

20 “(1) certifies that the employee is a member of
21 a targeted group (as defined in section 51(d)),

22 “(2) certifies that the employee does not have
23 an eligibility certificate under this section in effect
24 for the calendar year with respect to the payment of
25 wages by another employer, and

1 “(3) contains such other information as the
2 Secretary may require.

3 “(d) PAYMENTS TO BE TREATED AS PAYMENTS OF
4 WITHHOLDING AND FICA TAXES.—

5 “(1) IN GENERAL.—For purposes of this title,
6 payments made by an employer under subsection (a)
7 to his employees for any payroll period—

8 “(A) shall not be treated as the payment
9 of compensation, and

10 “(B) shall be treated as made out of—

11 “(i) amounts required to be deducted
12 and withheld for the payroll period under
13 section 3401 (relating to wage with-
14 holding), and

15 “(ii) amounts required to be deducted
16 for the payroll period under section 3102
17 (relating to FICA employee taxes), and

18 “(iii) amounts of the taxes imposed
19 for the payroll period under section 3111
20 (relating to FICA employer taxes),

21 as if the employer had paid to the Secretary, on
22 the day on which the wages are paid to the em-
23 ployees, an amount equal to such payments.

24 “(2) ADVANCE PAYMENTS EXCEED TAXES
25 DUE.—In the case of any employer, if for any pay-

1 roll period the sum of the aggregate amount of pay-
2 ments under subsection (a) plus any amount paid
3 under section 3507 exceeds the sum of the amounts
4 referred to in paragraph (1)(B), each such advance
5 payment shall be reduced by an amount which bears
6 the same ratio to such excess as such advance pay-
7 ment bears to the aggregate amount of all such ad-
8 vance payments.

9 “(3) EMPLOYER MAY MAKE FULL ADVANCE
10 PAYMENTS.—The Secretary shall prescribe regula-
11 tions under which an employer may elect (in lieu of
12 any application of paragraph (2))—

13 “(A) to pay in full all amounts under sub-
14 section (a), and

15 “(B) to have additional amounts paid by
16 reason of this paragraph treated as the advance
17 payment of taxes imposed by this title.

18 “(4) FAILURE TO MAKE ADVANCE PAY-
19 MENTS.—For purposes of this title (including pen-
20 alties), failure to make any advance payment under
21 this section at the time provided therefor shall be
22 treated as the failure at such time to deduct and
23 withhold under chapter 24 an amount equal to the
24 amount of such advance payment.”.

1 redesignating paragraphs (11), (12), and (13) as
2 paragraphs (14), (15), and (16), respectively, and by
3 inserting after paragraph (10) the following new
4 paragraph:

5 “(11) YOUTH OPPORTUNITY PROGRAM PARTICI-
6 PANT.—The term ‘youth opportunity program par-
7 ticipant’ means an individual who is certified by an
8 eligible local board or eligible entity (as such board
9 and entity are described in section 169 of the Work-
10 force Investment Act of 1998)—

11 “(A) as having completed a program car-
12 ried out under that section, and

13 “(B) as having a hiring date which is not
14 more than 1 year after the last date on which
15 such individual completed such a program.

16 “(12) QUALIFIED WIA YOUTH ACTIVITY PARTICI-
17 PANT.—The term ‘qualified WIA youth activity par-
18 ticipant’ means any individual who is certified by a
19 designated local agency—

20 “(A) as an eligible youth (as defined in
21 section 101 of the Workforce Investment Act of
22 1998) who—

23 “(i) is not less than age 18 and not
24 more than age 21, and

1 “(ii) has been enrolled in or has re-
2 ceived a youth activity (as so defined)
3 under chapter 4 of subtitle B of title I of
4 such Act, and

5 “(B) as having a hiring date which is not
6 more than 1 year after the last date on which
7 such individual was so enrolled or so received
8 such activity.

9 “(13) QUALIFIED YOUNG OFFENDER.—The
10 term ‘qualified young offender’ means any individual
11 who is certified by a designated local agency—

12 “(A) as being not less than age 18 and not
13 more than age 21,

14 “(B) as having been convicted of a mis-
15 demeanor, and

16 “(C) as having a hiring date which is not
17 more than 1 year after the last date on which
18 such individual was so convicted or was released
19 from prison.”.

20 (3) EFFECTIVE DATE.—The amendments made
21 by this subsection shall apply to individuals who
22 begin work for the employer after the date of the en-
23 actment of this Act.

24 (b) ADDITIONAL WORK OPPORTUNITY CREDIT FOR
25 RETAINED EMPLOYEES.—

1 (1) IN GENERAL.—Subsection (a) of section 51
2 of the Internal Revenue Code of 1986 (relating to
3 amount of credit) is amended by striking “equal to
4 40 percent of the qualified first-year wages for such
5 year.” and inserting “equal to the sum of—

6 “(1) 40 percent of the qualified first year wages
7 for such year, plus

8 “(2) \$500 for each retained employee.”.

9 (2) RETAINED EMPLOYEE.—Section 51 of the
10 Internal Revenue Code of 1986 is amended by add-
11 ing at the end the following new subsection:

12 “(1) RETAINED EMPLOYEE.—For purposes of this
13 section, the term ‘retained employee’ means an employee
14 who is a member of a targeted group and—

15 “(1) who—

16 “(A) has worked exactly 1,500 hours for
17 the taxpayer during any period beginning on
18 the date such employee was hired and ending
19 with or within the taxable year, and

20 “(B) was continuously employed by such
21 taxpayer during such period, or

22 “(2) who—

23 “(A) began work with the taxpayer during
24 any 52-week period ending with or within such
25 taxable year, and

1 “(B) was continuously employed by such
2 taxpayer during such 52-week period.

3 For purposes of the preceding sentence, no employee
4 may be treated as a retained employee more than
5 once with respect to any taxpayer.”.

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to taxable years begin-
8 ning after the date of the enactment of this Act.

9 **SEC. 207. PUBLICATION OF CHANGES AND ASSISTANCE**
10 **WITH PREPARATION.**

11 The Secretary of the Treasury shall—

12 (1) publicly disseminate information with re-
13 spect to the amendments made by this title (includ-
14 ing the dissemination of such information to State
15 and local government one-stop job centers), and

16 (2) provide appropriate assistance to taxpayers
17 (through low-income taxpayer clinics and other
18 sources) for the purpose of allowing taxpayers to
19 benefit from the amendments made by this title.

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