



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 10, 2011
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 674 – Three Percent Withholding Repeal and Job Creation Act

(Rep. Heger, R-CA, and 269 cosponsors)

The Administration strongly supports passage of H.R. 674 and an amendment offered by Senator Tester that together will reduce unemployment and ensure that our veterans leave the military with the tools they need to succeed in the civilian workforce.

H.R. 674 would repeal a three percent withholding on certain payments made to private contractors by Federal, State, and local government entities. The repeal of the withholding requirement in H.R. 674 would reduce a burden on government contractors who otherwise comply with their tax obligations, particularly small businesses. As evidenced in the President's proposed American Jobs Act, released September 12, 2011, the Administration has supported alleviating this burden, which was originally enacted into law on May 17, 2006. The Administration also believes it is important to ensure that Federal contractors are compliant with tax laws and supports more targeted efforts that prevent persons with outstanding tax debts from receiving Federal contracts. The effect of the repeal of the withholding requirement would be to avoid a decrease in cash flow to these contractors, which would allow them to retain these funds and use them to create jobs and pay suppliers. This would complement the Administration's other efforts to help small businesses. Repeal of the withholding requirement would also reduce implementation costs borne by Federal and other governmental agencies.

H.R. 674, as amended by Vow to Hire Heroes Act of 2011, contains the *Returning Heroes* and *Wounded Warrior* tax credits for firms that hire unemployed veterans that the President proposed to the Congress as part of the American Jobs Act, as well as other reforms to ensure that the men and women who serve are able to navigate this labor market upon exiting the military.

Having served and defended the Nation, our veterans are well-trained, highly skilled and will add value to any company. But today's veterans face unique challenges. As of last month, over 850,000 veterans were unemployed, and the jobless rate for post-9/11 veterans was 12.1 percent. As we end the war in Iraq and wind down the war in Afghanistan, over one million servicemembers are projected to leave the military between 2011 and 2016. We have an obligation to ensure that these men and women who have risked their lives to fight for our country do not have to fight for jobs when they return home.

The Vow to Hire Heroes Act provides a new *Returning Heroes Tax Credit* for firms that hire unemployed veterans. Firms that hire those veterans who have been unemployed at least 4 weeks will be eligible for a tax credit up to \$2,400 per employee, while firms that hire veterans who are long-term unemployed (looking for work for over 6 months) will be eligible for a tax credit up to \$5,600. H.R. 674, as amended, also provides a *Wounded Warriors Tax Credit* of up to \$9,600 that doubles the existing tax credit for firms that hire long-term unemployed veterans with service-connected disabilities. Together, these tax credits will create a powerful incentive for firms to hire veterans and will help lower the veteran unemployment rate.

As amended by the Vow to Hire Heroes Act, H.R. 674 further provides a number of additional tools to help veterans successfully transition to the civilian workforce. The Administration has been strongly supportive of improving the Transition Assistance Program. The amended H.R. 674 builds on these steps and would make TAP mandatory for most servicemembers transitioning to civilian status.

H.R. 674, as amended, also expands career counseling, educational, and training options for unemployed servicemembers, facilitates federal hiring of veterans, and tasks the Department of Labor to develop new tools to help translate military experience to the civilian sector. All of these reforms are consistent with the President's direction on August 5, 2011, to the Department of Veteran Affairs and the Department of Defense to lead an interagency Task Force to ensure that every member of the service receives the training, education, and credentials they need to transition to the civilian workforce or to pursue higher education. The Administration already made substantial progress on these proposals. The amended H.R. 674 will aid the Task Force's work and ensure that our veterans have the support they need to transition to civilian life.

Finally, H.R. 674 as amended changes the calculation of modified adjusted gross income, as defined in section 1401 of the Affordable Care Act, to include both taxable and non-taxable Social Security benefits. Beginning in 2014, this income definition will be used to determine financial eligibility for Medicaid and the State Children's Health Insurance Program, and for premium tax credits and cost-sharing reductions available through Affordable Insurance Exchanges.

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