



STATEMENT FOR THE RECORD

OF

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FOR THE HEARING ON

**“FRAMEWORK FOR EVALUATING CERTAIN
EXPIRING TAX PROVISIONS”**

BEFORE

**THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SELECT REVENUE MEASURES**

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On behalf of TrueBlue, Inc. (“TrueBlue”), thank you for the opportunity to submit this statement for the record. We applaud the Subcommittee and the Committee for its leadership on the important issue of tax extenders.

The Subcommittee’s June 8th hearing to explore principles and metrics to evaluate tax extenders was particularly helpful in advancing the dialogue on these tax policies. The witnesses discussed possible frameworks to assess tax extenders, many of which shared key criteria. Key criteria included: the rationale for the tax policy; revenue and efficiency; and, the reason for the temporary nature of the tax policy and its appropriate duration.

A provision of significant interest to TrueBlue, and the focus of this statement, is the Work Opportunity Tax Credit (“WOTC”). Along with a number of other meritorious tax policies, WOTC largely expired on December 31, 2011. As discussed in further detail in this statement, WOTC, when evaluated against the key criteria discussed at the June 8th hearing, is an important tax policy that should be made permanent.

We welcome a robust review of the tax extenders, including WOTC. Such a review in the context of tax reform would provide an opportunity to comprehensively review the tax extenders and other tax policies. However, in the interim, we strongly urge Congress to seamlessly extend WOTC without delay. At a time of intransigent unemployment, particularly among WOTC’s target groups, the lapse in WOTC is a significant setback for job creation in our nation. Consequently, extension of this important policy simply cannot wait.

TRUEBLUE

TrueBlue is a leading supplier of temporary work. In 2011, TrueBlue connected approximately 300,000 people to work, paying nearly \$600 million in wages and serving nearly 150,000 businesses in the service, retail, wholesale, manufacturing, transportation, and construction industries. TrueBlue also employs 2,500 regular headquarter and branch staff.

TrueBlue provides temporary blue collar and skilled work through five lines of business: Labor Ready; Spartan Staffing; CLP Resources; Plane Techs; and Centerline. The TrueBlue family of companies is committed to providing individuals with opportunities for growth and customers with the help they need to succeed in today’s competitive environment.

As a leading supplier of temporary work, TrueBlue provides employment opportunities to and a bridge to permanent jobs for many who otherwise face barriers to entering the workforce. Annually, approximately 40,000 applicants are eligible and approximately 8,000 are ultimately approved for WOTC.

TEMPORARY WORK

Temporary employment plays a critical role in the economy by providing employment flexibility for workers and businesses. Temporary staffing firms employ more than 10 million people each year. These jobs offer millions of people the opportunity to work, particularly as the economy continues its fragile recovery.

Temporary employment is critical to mitigating unemployment, while offering a significant opportunity to find permanent employment through temporary jobs. Temporary employment also provides people with on-the-job training, allowing them to learn new skills and expand their knowledge base, which can later be transferred to other employers and strengthened.

At the same time, temporary employment provides businesses with the opportunity to support or supplement their workforce in various work situations, such as employee absences, skill shortages, seasonal workloads, and special assignments or projects. Moreover, in the current economy, temporary employment is leading the jobs recovery by allowing employers to gauge business and economic conditions before committing to permanent hires.

In TrueBlue's experience, the average tenure of a temporary employee is approximately one month per year. However, even if someone works for us for *one day*, that person is an employee of the company rather than an independent contractor. Employee status integrates workers into the U.S. economy by ensuring that they are eligible to work in the U.S., that all workers' compensation, unemployment, and income taxes – as well as any court-ordered garnishments – are withheld and collected, and that W-2s report income accurately.

WORK OPPORTUNITY TAX CREDIT

WOTC and its predecessors, the Targeted Jobs Tax Credit (“TJTC”) and the Welfare to Work (“WTW”) Tax Credit, have existed since 1977, except for a brief lapse in the 1990s. Since WOTC was established in 1996, it has been temporarily extended nearly a dozen times. WOTC was last significantly considered in 2007, when it was modified and extended through August 31, 2011 in the Small Business and Work Opportunity Tax Act of 2007. In 2010, WOTC was extended through December 31, 2011 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. WOTC for most target groups expired as scheduled at the end of 2011, though WOTC for certain veterans' populations was extended through December 31, 2012 by the 3% Withholding Repeal and Job Creation Act.

Evaluating WOTC underscores the importance and effectiveness of the tax policy and the need to make it permanent. This section considers the key criteria discussed at the June 8th hearing.

Rationale for Tax Policy

During the June 8th hearing, witnesses discussed the need to understand the rationale behind a tax provision. In particular, witnesses recommended considering whether a tax provision addresses a compelling need for government intervention and whether a tax provision reflects sound tax policy.

WOTC and its predecessors, TJTC and WTW, were enacted to address the critical issue of persistent unemployment among certain groups who face significant barriers to entering the workforce. The credit is provided to employers to help offset the additional costs associated with employing these worker populations.

WOTC focuses on workers perceived to have relatively low skill levels, making them less attractive to employers. These groups suffer from higher unemployment and lower wages. Examples of WOTC-targeted employee groups include veterans who either are food stamp recipients or are unemployed and suffering a service-connected disability, former felons, disconnected youth, and members of families receiving benefits under the Temporary Assistance for Needy Families Program (“TANF”).

WOTC is structured as a tax credit for employers who hire individuals from the targeted groups, providing an incentive for the employer. WOTC effectively lessens the impact of the productivity gap between the target group members and other workers, encouraging employers to take a chance and hire workers they may otherwise not. At the same time, the employee is given an opportunity to work, building skill sets and taking them off public assistance.

WOTC addresses a compelling need that requires some government intervention and reflects sound tax policy.

Revenue and Efficiency

During the June 8th hearing, witnesses discussed the importance of evaluating a tax provision by its revenue effect and its efficiency, meaning whether the provision accomplishes its goals effectively.

JCT has estimated that a one-year extension of WOTC would cost \$971 million over 10 years. JOINT COMMITTEE ON TAXATION, ESTIMATED BUDGET EFFECTS OF REVENUE PROVISIONS CONTAINED IN PRESIDENT’S FY 2012 BUDGET PROPOSAL, JCX-19-11 (Mar. 17, 2011). The cost, however, must be considered in light of the significant benefits associated with WOTC.

WOTC works, effectively accomplishing its goal of ending persistent unemployment among our nation’s most vulnerable citizens. Once in the workforce, workers in the target group gain experience and on-the-job training, allowing them to subsequently “climb the ladder” to higher-skilled and higher-paying jobs. Through WOTC, more long-term welfare recipients – the most difficult cases – are being employed in the private sector and 7 out of 10 welfare recipients are using WOTC to find private sector jobs, according to a 2011 study by Peter Cappelli of the Wharton Business School at the University of Pennsylvania.

In 2011 alone, more than 1.1 million workers found jobs through WOTC. Further, this important tax policy enables these workers to move into self-sufficiency as they earn a steady income and become contributing taxpayers. The Cappelli study found that individuals hired under WOTC go on to become productive employees who are no longer dependent on public assistance. In this manner, WOTC provides a relatively less costly mechanism to assist people who may otherwise rely on public assistance. The Cappelli study also found that WOTC is one of the most successful and cost effective federal employment programs.

Reason for Temporary Nature and Appropriate Duration

As noted previously, WOTC and its predecessors have existed since 1977, making the provisions part of the fabric of the tax code for over three decades. WOTC was not designed to be a temporary provision, either as a stimulus provision or a provision requiring sunset review. Instead, WOTC was designed to be a permanent policy, though it was enacted as a temporary provision due to budget constraints. In previous Congresses, efforts to make permanent WOTC have been pared back as a result of the budget impact.

The ongoing extensions of WOTC reflect that the tax policy effectively and efficiently addresses an important policy need. As part of tax reform, Congress should make WOTC permanent.

CONCLUSION

The tax extenders, including WOTC, must be reviewed and the June 8th hearing advanced the dialogue about possible ways to move forward. Tax reform would provide an opportunity to comprehensively review the tax extenders and other tax policies and consider permanent solutions.

In the interim, Congress should seamlessly extend WOTC. WOTC has proven to be an efficient incentive for businesses to provide jobs for workers who might otherwise fall through the cracks. Allowing this provision to expire at a time of persistently high unemployment is a significant setback for job creation and the provision should be expeditiously extended.

TrueBlue greatly appreciates the opportunity to submit this statement. We are pleased to serve as a resource to the Congress, the Committee, and the Subcommittee on these and related matters. We look forward to our continued work together on these important issues.