

HK Payroll Services, Inc.

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Hearing on Certain Expiring Tax Provisions

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Dear Committee on Ways and Means:

We at HK Payroll Services, Inc. (HKP) are writing to urge you to extend the remaining Work Opportunity Tax Credit (WOTC) categories that expired at the end of last year. These tax provisions, which benefit a wide range of taxpayers, including associations, businesses, and individuals, are extremely important to U.S. jobs and the broader economy.

While the VOW to Hire Heroes Act extended the veterans categories through 2012, the categories for people living in distressed communities, at-risk youth, disabled workers, etc. expired at the end of last year, injecting more instability and uncertainty into the economy and further weakening confidence in the employment marketplace. Additionally, not extending these provisions will result in a crushing tax increase to employers who have incorporated WOTC's public-private sector partnership into their hiring practices.

Moreover, the extension of the expired WOTC categories should not be delayed. Employers are still giving forms to new hires and state employment offices are still collecting WOTC information. While we are hopeful that the tax reform debate results in policy that is fair, efficient, and encourages economic growth, it is critical that the current tax system provide certainty in the interim. Additional uncertainty is not a recipe for improving confidence in this economy.

The recent passing of the VOW to Hire Heroes Act demonstrates that the effectiveness of WOTC is still recognized on both sides of the aisle, even after fifteen years in operation. If the rest of the WOTC program is discontinued, it should be done in an orderly way that allows employers to anticipate the change, after Congress has given due consideration to the issues.

Please consider the following testimonials from our Tax Credits department on how these credits benefit our clients:

Multiple clients have expressed concern over the expiration of the WOTC program. This program is a huge help to them. - Kris H.

In the course of conducting business for HKP we make courtesy calls to our clients. These calls help to address our clients' concerns regarding WOTC. During several calls, I experienced clients expressing concern about the renewal of WOTC. This credit has helped many small businesses who employ qualified employees keep their businesses operational. To lose that tax credit could be devastating to some of our clients. - Diane B.

The work opportunity tax credit program is a good thing for small companies to have to keep their business successful and profitable; it encourages businesses to hire more people, helping to get them off unemployment. – Amanda G.

The WOTC program is very important for our economy. These valuable tax credits help our businesses to stay profitable and therefore keep people working which keeps our unemployment numbers low. Also, these tax credits are an incentive for companies to hire individuals that fall into the many target groups and keep them employed. – Linda S.

I have heard frequently over the years from our WOTC clients that these credits are necessary for their company to survive and expand, that these tax credits allow the company to add additional employees. By not renewing this great tax credit program would in essence be a tax increase to our clients, something they cannot afford at this time to their company in this economy. – Judd D.

Working for the Tax Credit department at HKP, I have seen many of our clients flourish because of WOTC. I think it's important to extend WOTC because it helps all sizes of business whether small or large! – Kallie W.

The WOTC credits our clients receive are essential to the success of their business and their ability to create more jobs. Not only does this benefit them, but the economy as well. – Sharon K.

I know that many of our clients, especially our clients with smaller companies, have greatly benefited from this program. As you may know, many businesses have struggled in this hard economic time. Therefore, the help that businesses receive from this program has helped them out tremendously. This program does not only help businesses but the people working for them by allowing more companies to hire more employees. With more businesses that are able to hire and more people working, the better the economy has a chance at recovery. - Erin M.

This program has proven to be a great bridge for employees who are trying to get off government assistance and the employers who can help them with this goal. Many of our

clients have been able to offer additional benefits, wages, and other workforce improvements due to the savings WOTC has provided them. One client has been able to improve their business model with the help of this program. As a result, they are now scheduling annual companywide meetings for their 22 locations to strategize effective business practices for their nearly 12,000 annual employees. – Mike N.

The program is very helpful to our clients. These credits allow the employer to provide more jobs and extend benefits to their employees. - Christine M.

As a Tax Credit Consultant, I work with hundreds of businesses every year who take advantage of this program. These businesses have higher retention rates, can pay a higher salary to their workers, and impact their economies through this program. These tax provisions also directly impact the unemployment rates in their communities. Removing this program would have a significant negative impact on businesses. Businesses who have taken advantage of the WOTC program count on the tax benefits on their fiscal year returns. Pulling these impactful benefits from their businesses will have a negative result on both employment and the economic climate of their local communities. The VOW act being passed recently shows the impact of WOTC. However, target groups are being left out if we are not able to continue the WOTC program. SSI income recipients, disabled and underprivileged employees and employees who come from disadvantaged areas are all left out if the WOTC program is not continued. Some of these target groups are the most widely used of all of the WOTC program. This makes not only the business counting on these credits at-risk, but any of the employees that fall into the target groups will have a more difficult time finding work. - Mike J.

Many of our clients are able to use the tax provisions to finance their company growth, internal and external. As you are well aware, a growing business is one of the fastest ways to a growing, recovering economy. – Emily S.

The feedback I receive from clients on why the WOTC is so important is a two-fold opportunity. First, it is a very low risk alternative to increase bottom line performance in today's struggling economy. Second, clients can direct their hiring towards target groups who might not otherwise be thought of for employment. The return can be equally beneficial to both mom and pop companies and large corporations who choose to employ low to middle class applicants while at the same time boosting our blue collar work force. – Shane B.

We urge you to include the remaining WOTC categories in the payroll tax cut bill, preventing tax increases on businesses, farmers, workers, and entire communities at this stage in the recovery.

Sincerely,

The Tax Credit Department at Honkamp Krueger