

**DESCRIPTION OF H.R. 9461, THE  
“USA WORKFORCE INVESTMENT ACT”**

Scheduled for Markup  
by the  
HOUSE COMMITTEE ON WAYS AND MEANS  
on September 11, 2024

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



September 9, 2024  
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## INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup for September 11, 2024, of H.R. 9461, the “USA Workforce Investment Act.” This document,<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides a description of this bill.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 9461, the “USA Workforce Investment Act”* (JCX-40-24), September 9, 2024. This document can also be found on the Joint Committee on Taxation website at [www.jct.gov](http://www.jct.gov). All section references in the document are to the Internal Revenue Code of 1986, as amended (the “Code”), unless otherwise stated.

## **A. Tax Credit for Contributions of Individuals to Workforce Development or Apprenticeship Training Organizations**

### **Present Law**

#### **Charitable contribution deduction**

In computing taxable income, an individual taxpayer who itemizes deductions or a corporate taxpayer generally is allowed to deduct the amount of cash and the fair market value of property contributed to an organization described in section 501(c)(3) or to a Federal, State, or local governmental entity, including to most educational organizations.<sup>2</sup>

The amount of the deduction allowable for a taxable year with respect to a charitable contribution of property may be reduced depending on the type of property contributed, the type of charitable organization to which the property is contributed, and the income of the taxpayer.<sup>3</sup> For individual taxpayers, the income-based limitation on the charitable contribution deduction is higher for gifts made to public charities than for gifts made to private foundations. Contributions of cash to a public charity generally are deductible up to 60 percent<sup>4</sup> of the donor's adjusted gross income ("AGI")<sup>5</sup> (30 percent for capital gain property, and 50 percent for non-capital gain property other than cash), whereas contributions to most private foundations generally are deductible up to 30 percent of the donor's AGI (20 percent for capital gain property).<sup>6</sup> For corporate taxpayers, the deductible amount of charitable contributions generally is limited to 10 percent of taxable income.<sup>7</sup> For all taxpayers, gifts of capital gain property to a public charity generally are deductible at the property's fair market value,<sup>8</sup> whereas gifts of capital gain property (other than publicly traded stock) to most private foundations are deductible at the taxpayer's basis (cost) in the property.<sup>9</sup>

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<sup>2</sup> Within certain limitations, donors also are entitled to deduct such contributions for estate and gift tax purposes. See secs. 2055 and 2522.

<sup>3</sup> Sec. 170(b) and (e).

<sup>4</sup> For contributions made in taxable years beginning after December 31, 2025, the 60-percent limit is reduced to 50 percent. Sec. 170(b)(1)(G)(i).

<sup>5</sup> The charitable percentage limits are applied to the donor's "contribution base," which is the donor's AGI computed without regard to any net operating loss carryback to the taxable year under section 172. Sec. 170(b)(1)(H).

<sup>6</sup> Sec. 170(b)(1).

<sup>7</sup> Sec. 170(b)(2).

<sup>8</sup> Sec. 170(e)(1). However, contributions of tangible personal property not for an exempt purpose of the donee organization are deductible at the taxpayer's basis in the property. Sec. 170(e)(1)(B)(i). A special rule determines the aggregate deduction for contributions of certain intellectual property. Sec. 170(e)(1)(B)(iii) and 170(m).

<sup>9</sup> Sec. 170(e)(1)(B)(ii) and 170(e)(5).

## **Qualified tuition programs generally**

Qualified tuition programs (known colloquially as 529 plans) generally are exempt from Federal income taxation (but are subject to unrelated business income tax).<sup>10</sup> The Code distinguishes between two types of programs: one type of program, sometimes referred to as a prepaid tuition program, allows a person to purchase on behalf of a designated beneficiary tuition credits or certificates that entitle the beneficiary to the waiver or payment of the beneficiary's qualified higher education expenses.<sup>11</sup> The other type of program, sometimes referred to as a college savings plan, allows a person to make contributions to an account that is established for the purpose of satisfying the qualified higher education expenses of the designated beneficiary of the account.<sup>12</sup>

For certain purposes of section 529, qualified higher education expenses include equipment required for the participation of a beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S. Code section 50).<sup>13</sup>

## **Description of Proposal**

The proposal creates a nonrefundable income tax credit that is equal to the amount of qualified contributions made by the taxpayer during the taxable year. The credit allowed to a taxpayer for a taxable year may not exceed the lesser of 25 percent of the taxpayer's tax liability and \$150,000. An individual is allowed the credit only to the extent that the Secretary of the Treasury (the "Secretary"), subject to an aggregate volume cap that is described below, allocates the credit to the individual. The amount allowed as a credit to any individual for a taxable year is reduced by the amount allowed as a credit on any State tax return for qualified contributions made by the taxpayer during the taxable year.

For purposes of the credit, a "qualified contribution" is a charitable contribution (within the meaning of section 170(c)) to a workforce development or apprenticeship training organization in the form of cash or marketable securities if the contribution is designated by the organization to be used only for the purpose of providing workforce development or apprenticeship training programs. Under the proposal, a qualified contribution for which a credit is allowed may not be taken into account as a charitable contribution for purposes of section 170.

A "workforce development or apprenticeship training organization" is any organization: (a) that is described in section 501(c)(3), is exempt from tax under section 501(a), and is not a private foundation; and (b) is included on a list of providers prepared under section 122(d) of the

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<sup>10</sup> Sec. 529(a).

<sup>11</sup> Sec. 529(b)(1)(A)(i).

<sup>12</sup> Sec. 529(b)(1)(A)(ii).

<sup>13</sup> Sec. 529(c)(8).

Workforce Innovation and Opportunity Act<sup>14</sup> by reason of having been determined to be eligible to offer a program under that section. A “workforce development or apprenticeship training program” means a program to provide training services within the meaning of section 134(c)(3) of the Workforce Innovation and Opportunity Act.<sup>15</sup>

The credit is a nonrefundable personal tax credit taken against income tax liability. The credit is allowable against both the regular tax and the alternative minimum tax under section 26(a). If the credit allowable for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of nonrefundable personal tax credits (other than the individual credit under the proposal and the credits allowable under section 23 and section 25D), the excess is carried to the succeeding taxable year and added to the credit allowable for such taxable year. However, no credit may be carried forward to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For this purpose, credits are treated as used on a first-in, first-out basis.

### Volume cap

The proposal sets an aggregate volume cap on the total amount of credits at \$5 billion for each of calendar years 2025 through 2028, and zero for any calendar years after 2028. However, in the case of the calendar year following a high use calendar year, the volume cap otherwise in effect is increased to 105 percent of the dollar amount in effect for the high use calendar year. The term “high use calendar year” means any calendar year for which 90 percent or more of the volume cap in effect for such calendar year is allocated to taxpayers. The proposal provides that the volume cap in effect for a calendar year must at least equal the volume cap in effect for the preceding calendar year. Thus, if the volume cap is increased in a year following a high-use calendar year, it is not subsequently reduced.

Generally, for purposes of allocating volume cap for a calendar year, the Secretary is directed to allocate the credit on a first-come, first-served basis, based on the time (during that calendar year) at which the taxpayer made the qualified contribution with respect to which the allocation is made. The Secretary may not allocate volume cap for a calendar year after December 31 of that calendar year. However, 10 percent of the annual volume cap is evenly divided among the States,<sup>16</sup> with such amounts being available to individuals residing in such States. The Secretary is directed to develop a system to track the amount of qualified contributions made during the calendar year for which a credit may be claimed, with such information updated in real time.

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<sup>14</sup> 29 U.S.C. sec. 3152.

<sup>15</sup> 29 U.S.C. sec. 3174(c)(3).

<sup>16</sup> For purposes of the volume cap, the term “State” includes the District of Columbia. Therefore, for calendar year 2025, a total of \$500 million (10 percent of \$5 billion) is divided equally among the 50 States and the District of Columbia, with each State receiving approximately \$9.8 million in allocations.

**Effective Date**

The proposal is effective for taxable years ending after December 31, 2024.

## B. Estimated Revenue Effects of the Proposal

The proposal is estimated to have the following effect on Federal fiscal year budget receipts:

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Fiscal Years											
[Billions of Dollars]											
<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2025-29</u>	<u>2025-34</u>
-0.6	-3.3	-4.3	-3.8	-0.7	-0.1	-0.1	--	--	--	-12.7	-12.9

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**NOTE:** Details do not add to totals due to rounding.