



Fact Sheet

BYRON L. DORGAN
CHAIRMAN

DPC Staff Contact: Erika Moritsugu, Ryan Mulvenon (202) 224-3232
DPC Press Contact: Barry Piatt (202) 224-0577
Available Online: dpc.senate.gov

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The *HIRE Act*: First in Series of Bills Will Put America Back To Work

With millions of Americans struggling to find work, creating and saving jobs and strengthening the economy are the most important priorities for Senate Democrats. This month, Senate Democrats unveiled a jobs agenda comprised of multiple initiatives designed to put America back to work and strengthen our economy. The *Hiring Incentives to Restore Employment Act* (*HIRE Act*), which Majority Leader **Reid** introduced last week, is the first of several jobs bills that will make up the year-long Senate Democratic jobs agenda. It is a focused effort that is geared toward creating jobs in 2010 and making our economy thrive again. The *HIRE Act* would encourage businesses to hire more workers, give tax breaks to strengthen small businesses, and invest wisely to rebuild America's infrastructure.

This bill, which is fully paid for and would not add a single penny to the nation's deficit or debt, would:

- [Create a new tax incentive for businesses to hire unemployed workers](#) to spur immediate job growth;
- [Help small businesses grow and hire more workers](#) by allowing them to write off more of their expenditures;
- [Extend transportation programs to rebuild our nation's infrastructure](#) and save jobs; and
- [Expand the Build America Bonds program](#) to allow state and local governments to finance more infrastructure projects and put people to work.

Because each of these provisions enjoys bipartisan support, Senate Democrats are hopeful that this legislation can garner the support of Senate Republicans so that it can be enacted quickly. The *HIRE Act*, however, is only the first step we plan to take to spur job creation this year. We will work throughout the year with our Republican colleagues to pass legislation to strengthen the economy, support out-of-work Americans, and encourage businesses to hire more workers. For more information on the Senate Democrats' year-long, multi-bill jobs agenda, please refer to the DPC Special Report entitled, "[Democrats Are Committed to Putting Americans Back to Work.](#)"

Creating a new tax incentive for businesses to hire unemployed workers

The *HIRE Act* includes an innovative new tax incentive for businesses to spur immediate job growth. Developed by Senator **Schumer** and Republican Senator Hatch, a new payroll tax exemption would create a common-sense, targeted, and effective to encourage employers to begin hiring unemployed workers today. The White House Press Secretary has noted that this ax incentive is among the “President’s top priorities for job creation.” [The White House, [2/11/10](#)]

Specifically, this provision would provide businesses with an exemption from Social Security payroll taxes they owe for every worker hired in 2010 who has been unemployed for at least 60 days. The maximum value of this incentive is \$6,621, which equals to 6.2 percent of wages paid in 2010 up to the FICA wage cap of \$106,800. The longer that a business has a new qualified worker on its payroll, the greater the tax benefit. This would create an incentive for businesses to hire people now.

In addition, to promote long-term employment, there would be an additional \$1,000 income tax credit for every new employee retained for 52 weeks.

Helping small businesses grow and hire more workers

The *HIRE Act* would enhance the write-off that small businesses can take for purchases of certain equipment, which would help small business entrepreneurs make the investments they need to grow and hire more workers. Specifically, the *HIRE Act* would extend a provision in the *American Recovery and Reinvestment Act (P.L. 111-5)* that allows small businesses to deduct up to \$250,000 of the cost of qualifying property in the year it is purchased, rather than waiting to recover their costs through depreciation deductions over a number of years.

A version of this proposal was jointly proposed by the Democratic Chairman of the Small Business Committee, Mary **Landrieu**, and the Republican Ranking Member of the Committee, Olympia Snowe, in December 2009. [Senate Committee on Small Business and Entrepreneurship, [12/2/09](#)] Without new legislation, the amount small businesses may expense would fall to approximately \$133,000. This provision would extend expensing thresholds so small businesses would be able to write off up to \$250,000 of certain capital expenditures (subject to a phase-out if expenditures exceed \$800,000) in 2010 in lieu of depreciating those cost over time.

Extending transportation programs to rebuild our nation’s infrastructure and save jobs

Since September 30, 2009, Congress has passed three short-term extensions of the nation’s surface transportation programs. The current extension expires at the end of February. The *HIRE Act* would provide an extension of the nation’s surface transportation programs through December 31, 2010. This extension would provide states and localities with the certainty they need to make decisions on capital-intensive projects and allow for billions more to be invested in infrastructure throughout the United States. According to the Department of Transportation, every \$1 billion in federal funds (matched by state and local governments) saves or creates 34,700 jobs.

In addition to the extension of current programs, the *HIRE Act* would include a transfer of approximately \$20 billion from the General Treasury and place it into the Highway Trust Fund

(HTF). The Department of Transportation currently estimates that the HTF will run short of funds in June. This transfer will reimburse the HTF for interest it should have collected in the past and will allow the federal government to support existing federal highway and transit programs through the end of this year at the levels authorized for Fiscal Year 2009. This certainty of funding would be especially beneficial to the manufacturing and construction sectors because construction-related manufacturing is operating at approximately 68 percent of capacity and has an industry unemployment rate of almost 25 percent.

According to the American Association of State Highway and Transportation Officials (AASHTO), 280,000 jobs were created or sustained as a result of funds provided in the *American Recovery and Reinvestment Act*, but if an extension is not approved and the surface transportation programs are forced to shut down at the end of February, the result would be the loss of approximately one million jobs.

Allowing state and local governments to finance more infrastructure projects and put people to work.

In 2009, through the *Recovery Act*, Congress created a new financing tool, called Build America Bonds, which allows state and local governments to borrow at lower costs. Build America Bonds have proved to be extremely popular with state and local governments as they issued approximately \$65 billion in these bonds in 2009.

The *HIRE Act* expands upon the highly successful Build America Bond model by making it available to existing Tax Credit Bonds, which provide the bond holder with a federal tax credit in lieu of interest. The *HIRE Act* would provide a mechanism for shifting the tax credit to the bond issuer, as is allowed under Build America Bonds. The legislation would allow issuers of existing Tax Credit Bonds to elect to treat bonds issued after the date of enactment as Build America Bonds, thus qualifying for the direct subsidy. This provision will enable issuers of clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, and qualified school construction bonds to access the direct subsidy payments under the Build America Bond structure. The federal subsidy for these bonds will be 45 percent of the borrowing cost (65 percent for certain small issuers).