



EANGUS urges the 118th Congress to legislate a Reserve Employers Comprehensive Tax Incentive to small businesses that employ National Guard and Reserve Servicemembers

Guard and Reserve servicemembers continue to experience problems maintaining employment because of the demands for meeting the steady operational support provided to the Active Component as well as an increase in Domestic Response mobilizations. In February 2017, the Department of Labor found Gulf War-era II veterans continue to have higher unemployment rates than their civilian counterparts.

Although we see better than regular employment numbers coming out of the COVID-19 era, we believe these numbers will continue to dwindle. We also know the National Guards' issue is quality employment, which continues to be an issue.

In the 116th, 1st Session of Congress **H.R. 801, the Reserve Component Employer Incentive, Compensation, and Relief Act of 2019** was introduced to provide an employer tax credit to help ease the strain employers felt from multiple deployments and activation:

The tax credit provides a scalable benefit for each employee based on the number of days missed for uniformed service. It covers Reservist employed and equals \$1,000 plus an amount depending on the day of service in uniform during the year:

- 30-89 days of service à \$3,000
- 90-179 days of service à \$5,000
- 180+ days of service à \$10,000

During this 1st session of the 117th Congress, H.R. 1854 introduced **the "Reserve Employers Comprehensive Relief and Uniform Incentives on Taxes Act of 2021" or the "RECRUIT Act of 2021"**. This bill offers two changes from the 116th bill.

- 1) To calculate qualifying days of service, we exempted regularly scheduled weekend drills and annual training (39 days/year).
- 2) We limited employer eligibility to only small business concerns as defined by the Small Business Administration.

EANGUS believes these two changes focus on employers who need relief from multiple activations and deployment.

While employers have tried to support national security, it would be naïve to think they are not encountering problems during these times. Companies absorb the cost of replacing servicemembers with temporary employees or increasing overtime to fill the vacancy of mobilizations. Servicemembers have told EANGUS that they are seeing fewer and fewer Guard and Reserve employees because of the cost and disruption to companies. That is exacerbated in high-demand specialties. Because tax credits aim to promote a specific behavior, EANGUS believes offering tax credits to companies will encourage them to hire Guard and Reserve



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members, thus improving the drastic unemployment numbers of our enlisted servicemembers.

As we have moved to the 118th Congress, there have been two more changes that need to be noted in this session's proposed legislation:

1. The payroll tax was removed- a cost-saving action; it ensured the overall credit was applied in the areas necessary to ease the burden. This section was replaced with the small business test; this provided that the spirit of this bill was fully understood and applied to the business that needs this credit to ensure their needs are fulfilled when activations and missed work by National Guard and reservists' activations.
2. The work opportunity tax credit was also added. WOTC was added because this bill is not meant to replace WOTC but instead a long-term solution to an ongoing employee replacement issue.
 - a. The projected legislation would still not exceed the \$10,000 threshold.
 - b. Adding WOTC ensures these two opportunities cannot be stacked.
 - c. WOTC will continue as a hiring incentive, whereas the Employer Tax Credit will be continued employment meant to ease the strain of multiple activations.

The National Guard and Reserve Components need three things to remain successful. 1. Strong Servicemembers, 2. Strong Families, and 3. Strong Employers. Very few Guard and Reserve servicemembers receive the predominate amount of their income from the military. Most rely on civilian employment. Strong, Supportive, and Patriotic employers will remain vital to the readiness of our Guard and Reserve components, further protecting our all-volunteer force.

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