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Statement for the Record

**U.S. House Ways and Means Select Revenue Measures Subcommittee
Hearing on
"Temporary Policy in the Internal Revenue Code"
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The Retail Industry Leaders Association (RILA) applauds the Committee for holding this hearing on "Temporary Policy in the Internal Revenue Code" and welcomes this opportunity to express our strong support for the permanent enactment of the Work Opportunity Tax Credit (WOTC).

RILA is the U.S. trade association for the world's largest, most innovative and recognizable retail companies and brands. We convene decision-makers, advocate for the industry, and promote operational excellence and innovation. Our membership includes more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Retail: Creator of American Jobs

More than 42 million jobs in the U.S. are either a retail job or a job that relies on retail. Jobs in the retail industry span from designers and IT professionals to transportation and logistics service providers to customer service representatives. Outside of brick and mortar stores, millions of jobs in manufacturing, finance, insurance, real estate, transportation and warehousing, and service industries are supported by retailers. For millions of Americans, including Members of Congress and their staff, their first job was in retail. For many executives in RILA's member companies, their entire careers are spent in the retail industry – beginning at a cash register, stocking shelves, or working in a distribution center, then becoming store managers before moving up through the company ranks. Retailers offer flexible schedules that enable individuals to spend more time with their families or complete a degree and provide employees with extensive training at all job levels

and skill sets that lay a core foundation for fundamental career development. Millions of high-tech and high-paying jobs are created by retailers as consumer demand and industry innovation continually advance and change.

Retail: Driver of the U.S. Economy

With more than \$553 billion in labor income and more than \$3.8 trillion in sales, retail is one of America's most powerful economic engines. In fact, consumer spending represents two-thirds of U.S. gross domestic product (GDP). There are few industries that have a greater impact on the U.S. economy than retail. We employ millions of Americans throughout the supply chain and provide American consumers with the products they want to buy at the price they want to pay. Retailers pay billions of dollars in federal, state, and local business and real estate taxes each year, and collect and remit billions more in sales taxes to state and local governments, providing a significant tax base for these communities. The depth and breadth of the domestic retail supply chain is far reaching throughout this country and the world.

Retail: Stewards of the Local Community

Retailers often serve a central role as stewards of communities beyond that as places to purchase goods and services. Brick and mortar retailers, large and small, provide a significant tax base for core local and state services such as police, fire and rescue, and schools. Beyond investing resources in store operations and job creation, brick and mortar retailers: provide billions of dollars annually to tens of thousands of local and national charities; hire American veterans; sponsor local sports and recreation teams; provide tangible goods donations to schools and homeless shelters; support community workforce development and training programs; and often provide shelter during storms and are the first on the ground after disasters strike to provide families with relief and help communities rebuild. Additionally, even the largest retailers rely on small business vendors in communities, such as plumbers and electricians, to keep stores open and operating.

The Work Opportunity Tax Credit (WOTC)

The WOTC, found under section 51 of the Internal Revenue Code, is an elective general business credit for employers that hire individuals who are members of one or more of ten targeted groups who would otherwise have difficulty in finding employment. The maximum credit is generally \$2,400 per employee---40 percent of the first \$6,000 of first year wages. An employer must



obtain certification that an individual is a member of a targeted group before the employer may claim the credit.

Among the categories of targeted workers are the following:

- Qualified Veterans
- Ex-Felons
- Summer Youth Employees
- Qualified Long-Term Unemployment Recipients
- Supplemental Nutrition Assistance Program (SNAP) Recipients
- Supplemental Social Security Income (SSI) Recipients
- Long-Term Family Assistance Recipient (TANF)

WOTC was first enacted in 1996 as a replacement hiring incentive for the Targeted Jobs Tax Credit. Since then, the provision has been extended twelve times, most recently by the "Protecting Americans from Tax Hike (PATH) Act of 2015" through 2019. Some of the extensions of WOTC have been seamless while other extensions have been retroactive, after the provision had lapsed for a period of time.

Economic Benefits of WOTC

Labor economist, Dr. Peter Cappelli of the University of Pennsylvania's Wharton School, has extensively studied the impact of WOTC on employment as well as its fiscal impact at both the federal and state levels. Some of his findings include the following:

- Since enactment in 1996, WOTC has helped over 24 million people move off some form of public assistance and into the workforce.
- The average WOTC hire tenure is 2.3 years.
- For every WOTC job certification, the federal government realizes a net savings of \$17,700 in TANF, SNAP, Medicaid and federal housing subsidies, while the states save \$4 billion annually in reduced costs for TANF, SNAP and Medicaid.
- The WOTC hiring incentive influences employer hiring practices. Since two-thirds of job applicants already have a job, hiring a WOTC-eligible individual helps expand the workplace.



Conclusion: Make WOTC Permanent

As mentioned earlier, more than 42 million jobs in the U.S. are in retail or are a job that relies on retail. Also, for many individuals, their first entry into the workforce is a retail job. As the second largest private sector employer, retailers take pride in the diversity of our workforce. Many RILA member companies utilize the WOTC credit in hiring from the list of targeted workers that otherwise would remain outside of the workforce. Such hiring decisions, would be made easier without the uncertainty associated with WOTC expiring every few years, including at the end of 2019.

RILA and its member companies are eager to work with all Members of Congress and the Administration to enact pro-growth tax policies, such as making WOTC permanent, that help expand our workforce.

