

110TH CONGRESS
1ST SESSION

H. R. 1213

To amend the Internal Revenue Code of 1986 to allow employers a credit against income tax equal to 50 percent of the compensation paid to employees while they are performing active duty service as members of the Ready Reserve or the National Guard and of the compensation paid to temporary replacement employees.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2007

Mr. POE (for himself, Mr. EDWARDS, Mr. CARTER, Mr. GONZALEZ, Mr. SOUDER, Mrs. MUSGRAVE, Mr. GOODLATTE, Mr. PITTS, Mr. LAMBORN, Mr. SHADEGG, Mr. BARTLETT of Maryland, Mr. WILSON of South Carolina, Mr. FORTUÑO, Mr. BARRETT of South Carolina, Mr. PEARCE, Mr. GINGREY, Mr. MCCAUL of Texas, Mr. HARE, Mr. GENE GREEN of Texas, Mr. SCOTT of Georgia, Mrs. MYRICK, Mr. SENSENBRENNER, Ms. BORDALLO, Mr. PATRICK J. MURPHY of Pennsylvania, Mr. LINCOLN DIAZ-BALART of Florida, Mr. MCCOTTER, and Mr. TERRY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow employers a credit against income tax equal to 50 percent of the compensation paid to employees while they are performing active duty service as members of the Ready Reserve or the National Guard and of the compensation paid to temporary replacement employees.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Ready Employers Will-
3 ing to Assist Reservists’ Deployment Act of 2007” or as
4 the “REWARD Act of 2007”.

5 **SEC. 2. EMPLOYER CREDIT FOR COMPENSATION PAID TO**
6 **EMPLOYEES WHILE SERVING ON ACTIVE**
7 **DUTY AS MEMBERS OF READY RESERVE OR**
8 **THE NATIONAL GUARD.**

9 (a) IN GENERAL.—Subpart D of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of
11 1986 (relating to business-related credits) is amended by
12 adding at the end the following new section:

13 **“SEC. 450. EMPLOYER CREDIT FOR COMPENSATION PAID**
14 **TO EMPLOYEES WHILE SERVING ON ACTIVE**
15 **DUTY AS MEMBERS OF READY RESERVE OR**
16 **THE NATIONAL GUARD AND FOR COMPENSA-**
17 **TION PAID TO TEMPORARY REPLACEMENT**
18 **EMPLOYEES.**

19 “(a) GENERAL RULE.—For purposes of section 38,
20 in the case of an employer, the employer Ready Reserve-
21 National Guard active duty credit determined under this
22 section for the taxable year is an amount equal to—

23 “(1) 50 percent of the compensation paid or in-
24 curred to each Ready Reserve-National Guard em-
25 ployee of the taxpayer while the employee is absent

1 from employment while performing qualified active
2 duty, and

3 “(2) 50 percent of the compensation paid or in-
4 curred to each qualified replacement employee of the
5 taxpayer.

6 “(b) LIMITATION APPLICABLE TO READY RESERVE-
7 NATIONAL GUARD EMPLOYEES.—

8 “(1) IN GENERAL.—The amount of compensa-
9 tion taken into account under subsection (a) for any
10 period of qualified active duty with respect to a
11 Ready Reserve-National Guard employee shall not
12 exceed the active duty wage differential of such em-
13 ployee for such period.

14 “(2) ACTIVE DUTY WAGE DIFFERENTIAL.—

15 “(A) IN GENERAL.—For purposes of this
16 section, the active duty wage differential of a
17 Ready Reserve-National Guard employee for
18 any period of qualified active duty is the
19 amount equal to the product of—

20 “(i) the daily wage differential of such
21 employee for such period, multiplied by

22 “(ii) the number of days that such
23 employee is on qualified active duty during
24 such period.

1 “(B) DAILY WAGE DIFFERENTIAL.—For
2 purposes of subparagraph (A), the daily wage
3 differential of a Ready Reserve-National Guard
4 employee for any period is an amount equal to
5 the excess of—

6 “(i) such employee’s average daily em-
7 ployer-provided compensation for such pe-
8 riod, over

9 “(ii) such employee’s average daily
10 military pay for such period.

11 “(C) AVERAGE DAILY EMPLOYER-PRO-
12 VIDED COMPENSATION.—

13 “(i) IN GENERAL.—For purposes of
14 subparagraph (B), an employee’s average
15 daily employer-provided compensation for
16 any period is the average daily compensa-
17 tion paid by the employer to the employee
18 for the 1-year period ending on the day be-
19 fore the date that the employee begins
20 qualified active duty, adjusted for cost-of-
21 living and other increases generally appli-
22 cable to employees of the employer for
23 such period.

24 “(ii) EMPLOYER-PROVIDED COM-
25 PENSATION.—The term ‘compensation’

1 means any remuneration for employment,
2 whether in cash or in kind, which is allow-
3 able as a deduction under section
4 162(a)(1).

5 “(D) AVERAGE DAILY MILITARY PAY.—

6 “(i) IN GENERAL.—For purposes of
7 subparagraph (B), a Ready Reserve-Na-
8 tional Guard employee’s average daily mili-
9 tary pay is the average daily military pay
10 and allowances received by the employee on
11 account of the employee’s performance of
12 qualified active duty during the period.

13 “(ii) MILITARY PAY AND ALLOW-
14 ANCES.—For purposes of clause (i)—

15 “(I) MILITARY PAY.—The term
16 ‘military pay’ means pay (as defined
17 in section 101(21) of title 37, United
18 States Code).

19 “(II) ALLOWANCES.—The term
20 ‘allowances’ means the allowances
21 payable to a member of the Armed
22 Forces of the United States under
23 chapter 7 of such title.

24 “(c) LIMITATION APPLICABLE TO QUALIFIED RE-
25 PLACEMENT EMPLOYEES.—

1 “(1) IN GENERAL.—The amount of compensa-
2 tion taken into account under subsection (a) with re-
3 spect to any qualified replacement employee for any
4 period shall not exceed the amount equal to the
5 product of—

6 “(A) the average daily employer-provided
7 compensation for such period of the Ready Re-
8 serve-National Guard employee being replaced
9 by such replacement employee for such period,
10 and

11 “(B) the number of days that the Ready
12 Reserve-National Guard employee is on quali-
13 fied active duty during such period.

14 “(d) DEFINITIONS.—For purposes of this section—

15 “(1) READY RESERVE-NATIONAL GUARD EM-
16 PLOYEE.—

17 “(A) IN GENERAL.—The term ‘Ready Re-
18 serve-National Guard employee’ means any em-
19 ployee—

20 “(i) who is a member of the Ready
21 Reserve or of the National Guard, and

22 “(ii) who was an employee of the tax-
23 payer during the 1-year period ending on
24 the day before the date that the employee
25 begins qualified active duty.

1 “(B) NATIONAL GUARD.—The term ‘Na-
2 tional Guard’ has the meaning given such term
3 by section 101(c)(1) of title 10, United States
4 Code.

5 “(C) READY RESERVE.—The term ‘Ready
6 Reserve’ has the meaning given such term by
7 section 10142 of title 10, United States Code.

8 “(2) QUALIFIED ACTIVE DUTY.—The term
9 ‘qualified active duty’ means—

10 “(A) active duty under an order or call for
11 a period in excess of 90 days or for an indefi-
12 nite period, other than the training duty speci-
13 fied in—

14 “(i) section 10147 of title 10, United
15 States Code (relating to training require-
16 ments for the Ready Reserve), or

17 “(ii) section 502(a) of title 32, United
18 States Code (relating to required drills and
19 field exercises for the National Guard), in
20 connection with which an employee is enti-
21 tled to reemployment rights and other ben-
22 efits or to a leave of absence from employ-
23 ment under chapter 43 of title 38, United
24 States Code, and

1 “(B) hospitalization incident to such active
2 duty.

3 “(3) QUALIFIED REPLACEMENT EMPLOYEE.—

4 The term ‘qualified replacement employee’ means
5 any employee who is hired by the taxpayer to replace
6 a Ready Reserve-National Guard employee during a
7 period of qualified active duty, but only with respect
8 to periods for which the taxpayer has paid such
9 Ready Reserve-National Guard employee an amount
10 not less than the active duty wage differential (if
11 any) for such period.”.

12 (b) DENIAL OF DOUBLE BENEFIT.—Subsection (a)
13 of section 280C of such Code (relating to certain expenses
14 for which credits are allowable) is amended by inserting
15 “45O(a),” after “45A(a),”

16 (c) CREDIT TO BE PART OF GENERAL BUSINESS
17 CREDIT.—Subsection (b) of section 38 of such Code (re-
18 lating to general business credit) is amended by striking
19 “plus” at the end of paragraph (30), by striking the period
20 at the end of paragraph (30) and inserting “, plus”, and
21 by inserting after paragraph (31) the following new para-
22 graph:

23 “(32) in the case of an employer, the employer
24 Ready Reserve-National Guard employee credit de-
25 termined under section 45O(a).”.

1 (d) CONFORMING AMENDMENT.—The table of sec-
2 tions for subpart D of part IV of subchapter A of chapter
3 1 of such Code is amended by inserting after the item
4 relating to section 45N the following new item:

“Sec. 45O. Employer credit for compensation paid to employees while serving
on active duty as members of Ready Reserve or the National
Guard and for compensation paid to temporary replacement
employees.”.

5 (e) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to periods of qualified active duty
7 (as defined in section 45O(d) of the Internal Revenue
8 Code of 1986, as added by this section) in taxable years
9 beginning after December 31, 2006.

10 (f) INFORMATION ON MILITARY PAY AND ALLOW-
11 ANCES.—The Secretary concerned (as defined in section
12 101 of title 10, United States Code) shall provide to em-
13 ployers and the Secretary of the Treasury such informa-
14 tion as is necessary to determine the proper amount of
15 credit allowable to employers under such section 45O.

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