

**DESCRIPTION OF HUMAN
RESOURCES-RELATED TAX PROPOSALS**

Scheduled for Markup

Before the

HOUSE COMMITTEE ON WAYS AND MEANS

on June 10, 1997

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

June 10, 1997

JCX-24R-97

CONTENTS

	<u>Page</u>
INTRODUCTION	1
DESCRIPTION OF PROPOSALS	2
1. Modification of the Federal Unemployment Tax Act Definition of Employment to Exclude Service Performed by Persons Committed to Penal Institutions	2
2. Modification of the Federal Unemployment Tax Act to Exempt Service Performed for Certain Religious Schools	2
3. Modification of the Federal Unemployment Tax Act to Exempt Certain Election Officials and Election Workers	3

INTRODUCTION

The House Committee on Ways and Means has scheduled a markup regarding the budget reconciliation items of the Human Resources Subcommittee on June 10, 1997. This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the tax-related provisions of the Chairman's Amendment in the Nature of a substitute regarding the budget reconciliation Human Resources Subcommittee items.

¹ This document may be cited as follows: Joint Committee on Taxation, Description of Human Resources-Related Tax Proposal (JCX-24R-97), June 10, 1997.

DESCRIPTION OF PROPOSALS

1. Modification of the Federal Unemployment Tax Act Definition of Employment to Exclude Service Performed by Persons Committed to Penal Institutions

Present Law

The Federal Unemployment Tax Act ("FUTA") imposes a 6.2-percent gross tax rate on the first \$7,000 of wages paid annually by covered employers to each employee. Generally, wages are defined to include all remuneration for employment unless specifically exempted. There is no exemption for wages paid to persons committed to penal institutions.

Description of Proposal

The proposal would exempt wages paid to persons committed to penal institutions from the definition of wages for FUTA tax purposes. These persons would also be ineligible to claim unemployment benefits with respect to such wages.

Effective Date

The proposal would be effective with respect to service performed after March 26, 1996.

2. Modification of the Federal Unemployment Tax Act to Exempt Service Performed for Certain Religious Schools

Present Law

The Federal Unemployment Tax Act ("FUTA") requires States to cover under their unemployment compensation laws certain nonprofit organizations designated under FUTA. Specifically, FUTA exempts service performed in the employ of: (1) a church or convention or association of churches, or (2) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches. Individuals who are in the employ of entities with a religious orientation which are not affiliated with a particular church, or convention or association of churches are not exempt.

Description of Proposal

The proposal would exempt from FUTA service performed in an elementary or secondary school which is operated primarily for religious purposes. This exemption would be available to such schools even though they are not operated, supervised, controlled, or principally supported by a church or convention or association of churches. Persons performing such service would also be ineligible to claim unemployment benefits with respect to such wages.

Effective Date

The proposal would be effective with respect to service performed after the date of enactment.

3. Modification of the Federal Unemployment Tax Act to Exempt Certain Election Officials and Election Workers

Present Law

The Federal Unemployment Tax Act ("FUTA") generally requires States to cover under their unemployment compensation laws service performed in the employ of a State or local government. Only certain enumerated exceptions are allowed.

Description of Proposal

The proposal would exempt from FUTA service performed as an election official or election worker. This exemption would apply only if the annual wages received by the individual for such service is less than \$1,000. These persons would also be ineligible to claim unemployment benefits with respect to such wages.

Effective Date

The proposal would be effective with respect to service performed after the date of enactment.