

The Reserve Component Employer Incentive, Compensation, and Relief Act of 2018

"Supporting those employers that enable our Operational Reserve"

Background

The National Guard and Reserves, which make up the Reserve Component, have fully transitioned from a "Strategic Reserve" to an "Operational Reserve." This means that the Reserve Component, now more than ever, is fully integrated in ongoing national security missions around the globe. Understandably, this transition has led to increased training requirements which go beyond the statutorily required 39 days of annual training to requirements totaling 80 or more days per year. While the cost effectiveness of operationalizing the Reserve Component compared to adding additional Active Component units is well documented, there are hidden costs. The burden of these hidden costs is unfairly shouldered by employers of members of the Reserve Component, without any incentives or compensation for their unwavering support and oft lost productivity.

With the combination of the ending of the Work Opportunity Tax Credit and increased operational tempo of our National Guard and Reserve force, there exists a serious gap in policy that is severely hindering recruiting and retention in our Operational Reserve, thus negatively affecting readiness and national security. Employers bear the costs of lost production or hiring and retraining replacements due to extensive and often unplanned absences, especially in an era where our country increasingly calls upon its Operational Reserve to secure our nation. The reality is that these added costs have two effects: decreased growth for U.S. businesses, and creation of a disincentive for employers to hire, retain and/or promote Reserve Component service members, despite protections contained in the Uniformed Services Employment and Reemployment Rights Act.

In the past, tax credits have been targeted at too small a population and were too small monetarily to truly incentivize companies and small business to hire members of the National Guard and Reserves. Additionally, feedback was clear that the time and effort required to apply for the minimal tax credits were better invested elsewhere.

U of M Study

Members of the Minnesota National Guard, enrolled in the Hubert H. Humphrey Fellowship Program and studying at the University of Minnesota, found that this was a complex issue likely requiring action at Federal and state levels for a truly comprehensive solution. From their study of the issue and interviews with employers around the state, they found that the following:

- Whether big or small, employers are very patriotic and willing to shoulder an inordinate burden, but all agreed that there should be some type of benefit/compensation provided.
- 30 days of continual absence is the threshold that causes issues for employers of all sizes.
- Employers prefer a continuous absence versus many small absences (60 days vs. multiple 2-4-week periods).
- Absences for training causes more friction than absence for a deployment.
- Small businesses that employ Reserve Component service members would benefit the most from any employer compensation model.
- Rarely do employers hire temporary employees to cover the reservist's absence from the workplace. Work often must be picked up by fellow employees.

Bill Summary

The Reserve Component Employer Incentive, Compensation, and Relief Act of 2018 will incentivize employers to hire reservists. It will provide employers with a tax credit aimed to offset costs associated with losses in productivity and/or retraining efforts to fill gaps left by activated servicemembers. A key difference between this legislation and past efforts along these lines is that this tax credit applies to *all* employers that hire and employ actively serving members of the Reserve Component. Specifically, this legislation accomplishes the following:

- Amends the Internal Revenue Code of 1986 to provide a reservist employment credit. An employer can elect to have the tax credit not apply.
- The credit amount is equal to the sum of the credit for each reservist employed by an eligible employer during the taxable year.
- The reservist credit amount is equal to \$1,000 plus an additional amount dependent on the days of service in uniform during such year.

- 30 to 89 days of service → \$3,000
- 90 to 179 days of service → \$5,000
- 180 plus days of service → \$10,000

According to the Minnesota National Guard, the best means to mitigate potential friction with employers tied to new Operational Reserve training requirements is communication, innovation, and incentives. For the first time, this legislation provides long overdue continuous benefits for all employers of actively serving members of the Reserve Component and provides a scalable benefit for those employers that experience extended absences of employees for military service.

Considering that our employers have been the underwriters of the financial security of our Reserve Component during the last 17 years of war, it is time to act to relieve of at least some of the burden. Service Members should not have to choose between serving their country in the Reserve Components or having a steady job back home. Supporting this effort will ensure that this is no longer a choice that must be made.