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Testimony of Assistant House Majority Leader Rachel Talbot Ross presenting

LD 581, Resolve, To Expedite the Processing of Applications for Certification under the Federal Work Opportunity Tax Credit

Before the Joint Standing Committee on Labor and Housing

Senator Rafferty, Representative Sylvester, and distinguished members of the Labor and Housing Committee, my name is Rachel Talbot Ross. I represent House District 40, which comprises the Portland neighborhoods of Parkside, Bayside, East Bayside, Oakdale and the University of Southern Maine campus. Thank you all for the opportunity to come before you to present **LD 581, Resolve, To Expedite the Processing of Applications for Certification under the Federal Work Opportunity Tax Credit**.

The Work Opportunity Tax Credit, or WOTC, is a federal tax credit available to employers for hiring employees who belong to specific groups which have faced widespread barriers to employment. [These groups include qualified military veterans, formerly incarcerated individuals \(who make up 4% of WOTC recipients in Maine\), those facing long-term unemployment, and people who receive certain forms of public assistance such as TANF or SNAP benefits.](#) To receive the credit, employers must obtain certification from their state workforce agency, which, here in Maine, is the state Department of Labor.

This past year has been hard for Maine workers and small businesses. COVID-19 has presented a unique challenge to Maine's economy that will take the effort of all of us to recover from. The pandemic has also had a profound effect on Maine's workforce, with Maine's official unemployment rate in [December 2020 being at 4.9%](#), though the "real" rate of unemployment (accounting for those who have dropped out of the workforce) is likely higher than 10%.

As members of this committee know, even before the pandemic, Maine has struggled to meet workforce needs. The problem is only expected to worsen over the coming years. Beyond the importance of economic security to individuals and their families, it is imperative to our economy that we encourage workforce participation by those who have historically faced barriers that have kept them from achieving long-term, stable employment.

The WOTC could be a crucial tool to help small businesses grow and to increase the diversity of Maine's workforce by giving marginalized individuals employment opportunities. But here in Maine,

businesses applying to receive their tax credit face an enormous backlog: [What was 26,000 applications is now more than 34,000 pending applications as of February 2021](#). I appreciate that the department has taken steps to address the issues that have led to the backlog, which I believe they will speak to in more detail today. However, despite the improvements the department has made, the number of pending applications continues to grow.

That means we are missing out on an opportunity to improve lives and strengthen our workforce. It also means we are leaving money on the table. Nationally, employers received roughly \$3.8 billion from the WOTC in 2020. These are federal funds that should be returned to Maine businesses and our state economy. Instead, our businesses are missing out on their share of these funds because of the backlog in processing applications.

To resolve the backlog, this measure directs the department to establish a new position within the Bureau of Employment Services to expedite the certification process. It also requires the department to report back to this committee with an update by Feb. 1, 2022.

While this position is not currently included in the budget proposal, budgets are moral documents that speak to our priorities. As a state, providing tax credits to our businesses while supporting an increasingly inclusive workforce deserves that level of attention from us as lawmakers.

In passing this bill, we are helping to grow back Maine's economy stronger after COVID. We are helping disadvantaged Mainers, from disabled veterans to individuals relying on TANF and SNAP, to get jobs. We are helping to support Maine's small businesses in these difficult times. It is for these reasons I strongly encourage the esteemed members of this committee to vote "ought to pass" on LD 581.

Thank you for your consideration. I am happy to answer any questions you may have for me.