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ASBA Update From Washington

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February 2010

by *Jacqueline A. O'Reilly, ASBA Washington Representative*

Statewide Republican Wins Steer the Administration Toward Jobs

In last month's Legislative Update, we mentioned that the House had recently passed a \$154 billion jobs creation bill. Entitled the Small Business Job Creation Act of 2010, HR 4620 was introduced by Democratic Representative Jerry McNerney of California. This bill is intended to encourage hiring by amending the Internal Revenue Code of 1986 to allow small businesses to receive tax credits if they hire currently unemployed workers.

If HR 4620 passes the Senate and is signed into law, small businesses (defined as those with annual revenues of \$20 million or less) will receive a tax credit of 7.5% of wages earned by an employee during 2010. That percentage will drop to 5% for 2011. The legislation provides an additional bump for employers located in counties where the local unemployment rate exceeds the national rate. In those areas, employers will receive a credit of 15% in 2010, dropping to 10% in 2011. Employees hired must work at least 30 hours per week and must have been eligible for unemployment compensation during the previous year.

Since the U.S. unemployment rate began to rise in 2008, Americans have been waiting for legislators to acknowledge an obvious problem in desperate need of a solution: Americans need jobs. With the President and the Congress trying to tackle so many national problems in the past year — and rarely succeeding on any of them — job creation has taken a back seat.

But in late January, something unexpected happened. Scott Brown happened. Scott Brown, the newly-elected senator from Massachusetts caught the Democrats in Washington completely off-guard. Senator Brown was elected handily to a Senate seat held by a Democrat for over forty years in a state that hasn't elected any Republican senator since Edward Brooke was defeated in 1978. Congressional Democrats should not have been completely surprised by Brown's victory, given that three months earlier, Chris Christie wrested the governorship of New Jersey from Democratic hands and Republican Robert McDonnell took the governorship in the state of Virginia.

Although Americans have been making known for many months their displeasure with where our country is headed, Washington was apparently deaf to their cries. That is, until the election of Scott Brown. Now Democrats in Washington seem to be listening a little more closely to Americans and taking their words a bit more seriously. Could it be true that if voters don't like what elected officials are doing, they may just vote to throw them out next November? This is apparently the conclusion that many of those elected officials have come to over the past few weeks. And there appears to be a new mindset taking shape in the

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Beltway.

How this all will shake out remains to be seen. While it's true that the President now seems more open to listening to the Republican point of view, it may be that the new spirit of cooperation in Washington is just a dress rehearsal for yet another photo op. Only time will tell.

For now, we must go forward on the presumption that the new jobs bill really does represent Congress doing its best to put Americans back to work.

Will it help? Is it too late?

Some would argue that the jobs bill was so long in coming that it is now "too little, too late". Does the fact that the Administration has spent so much of our tax money in the past year undercut the potential positive effects of this jobs bill? If HR 4620 does become law, will the tax credits it provides be enough to encourage small business to begin hiring once again, or has the potential impact of such a bill been diminished with the passage of time?

Pearson Partners, International, an executive search firm headquartered in Dallas, recently surveyed 300,000 chief executives nationwide to find out what the CEOs thought would best stimulate hiring. Survey results showed that hiring tax credits and easier access to credit ranked at the top.

"Since there is not much more the Administration nor the Federal Reserve can do about making credit easier or cheaper", explained Robert Pearson, CEO of Pearson Partners International, "the tax credits under The Small Business Job Creation Act of 2010 will likely engender a very positive response".

For seniors, a jobs bill without a specific incentive to hire mature workers is missing a crucial element. According to Pearson, during a recession, companies often opt to lay off more seasoned (and more expensive) employees first, yet when recovery time comes around, those same companies hire back a younger workforce. The wisdom of trading experience for new blood could be debated all day long. (Suffice it to say that in most cases, employers will get what they pay for). If legislators were so inclined, an additional incentive for hiring a worker over the age of 50 would show that Congress is concerned about the plight of unemployed seniors.

One bright spot for some, although not all, seniors is that a recession can lead them to locate their inner entrepreneur and take on challenges that they had never before considered.

For many seniors, however, finding a new career, starting a business or volunteering are not options. For many seniors, work — every day, all day - is still a necessity. For their sake, the jobs bill better work and Washington better keep collaborating in meaningful ways to get our country back on track. Americans are not interested in watching Washington insiders shaking hands, drinking cocktails and winking over backroom deals. And no one here is in the mood for another photo op.

Jacqueline O'Reilly is a legislative consultant, and her reports are updated monthly.

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