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Trade Adjustment Assistance For Firms

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (“the Act”), which provides for over \$460 billion in federal spending and over \$300 billion in tax savings. In addition, the Act expands a number of the trade adjustment assistance (“TAA”) programs.

TAA is best known for providing benefits to workers who have lost their jobs as a result of increased imports or shifts in production to foreign countries. One of the TAA programs, known as *TAA for firms*, is intended to provide assistance to firms that have been negatively affected by international trade.

TAA for firms originally was established to help manufacturers that were losing sales and employment as a result of increased imports of similar or competitive goods. Through the Act, and as a result of a bipartisan compromise, the House and Senate revised the *TAA for firms* program in a number of ways, including:

- by extending benefits to service sector firms;
- by amending the qualification standard for determining whether a firm’s sales or production, or both, have decreased;
- by increasing the authorization of appropriations for the program from \$16 million to \$50 million per year;
- by providing funding to add Department of Commerce (“Commerce”) staff to administer the program; and
- by requiring the collection and reporting of data related to the program and its performance, including data on program outcomes.

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To qualify for benefits, firms must demonstrate three elements:

- (1) a “significant number or proportion” of their workers have been separated (or threatened with separation);
- (2) a decrease in sales or production that meets the new statutory standard; and
- (3) increased imports of competitive products or services contributed importantly to the separation (or threat of separation) of workers and to the decline in sales or production.

Eligible firms can request that Commerce pay a portion of the cost of projects aimed at improving their competitive position. Specifically, TAA funds can be applied toward the cost of consultants, engineers, designers, or industry experts for improvement projects in areas such as manufacturing, engineering, marketing, quality, and information technology.

Under Commerce’s current policy, it will pay for half of the cost of these services, up to \$150,000 in projects (with a maximum TAA share of \$75,000). The cap can be waived, however, on a case-by-case basis. Given the increase in funding for the *TAA for firms* program, as provided by the Act, Commerce may increase the maximum TAA share beyond \$75,000 in the future.

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