Reducing Government Spending and Investing in the Nonprofit Workforce

October 6, 2025

Honorable Jason Smith
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Honorable Mike Crapo
Committee on Finance
U.S. Senate
Washington, DC 20510

Honorable Richard Neal
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Honorable Ron Wyden
Committee on Finance
U.S. Senate
Washington, DC 20510

Dear Chairman Smith, Chairman Crapo, Ranking Member Neal, and Ranking Member Wyden,

For nearly 30 years, the Work Opportunity Tax Credit (WOTC) has served as a critical tool for reconnecting individuals with barriers to employment to the workforce. It is a successful partnership that has benefited workers, communities, and taxpayers nationwide. Unfortunately, this credit is largely inaccessible for nonprofit employers – the economy's third-largest employment sector. **We, the undersigned national nonprofit organizations, urge you to extend WOTC before it expires at the end of the year and to make this key incentive more effective by allowing nonprofit employers to claim it against their payroll taxes.**

Since its creation in 1996, WOTC has helped move millions of Americans into the workforce and saved state and federal governments over $200 billion[1]. In general, employers can receive up to $2,400 during the first year they employ an individual who is certified as being a member of a targeted group. Qualified target groups include families receiving TANF benefits, qualified veterans, qualified ex-felons, SNAP recipients, SSI recipients, long-term unemployed, and more. Currently, nonprofit employers are only eligible to claim WOTC for hiring qualified veterans – one of the 10 targeted groups.

[1] National Employment Opportunity Network, https://wotcmeansjobs.org/key-facts

First and foremost, nonprofits are places where people come together to solve problems. They are trusted partners and anchors in their communities. In the course of doing this essential work, they create a massive economic impact. In fact, nearly 10 percent of the private workforce in the United States is employed by a nonprofit organization and despite their "tax-exempt" status, nonprofit employers pay an estimated $65 billion each year in payroll taxes.[2] Given their work and missions, nonprofit organizations already engage deeply with individuals in each of the 10 groups targeted by WOTC. Incentives for employing these individuals could provide yet another powerful way for nonprofits to make a difference.

For 9 of the 10 qualified target groups, WOTC currently excludes nonprofit employers because it is only eligible to be claimed against the federal income tax. Allowing claims for all target groups against the considerable payroll taxes paid by nonprofit employers would simply make WOTC more effective by expanding its reach. In fact, according to research by Ernst & Young[3], expanding WOTC to fully include nonprofit employers would impact $1 billion in annual wages and benefits.

We strongly support the extension of the Work Opportunity Tax Credit and urge you increase the positive impact of this hiring incentive by making it available to nonprofit employers, so that they can continue their vital work, save taxpayer dollars, and reconnect more Americans to the workforce.

Sincerely,

Dance/USA
Grant Professionals Association
Independent Sector
KABOOM!
Lutheran Services in America
National Council of Nonprofits
Social Current

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[2] Calculation provided by the National Center for Charitable Statistics at the Urban Institute.
[3] *Extending Select Tax Credits to 501(c)(3) Organizations*, https://independentsector.org/resource/extending-select-tax-credits-to-501c3-organizations