Extending select tax credits to 501(c)(3) organizations

Prepared on behalf of Independent Sector

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Executive summary

This report estimates the revenue impact and footprint of economic activity benefitting from extending certain tax credits to 501(c)(3) organizations. The following six credits are analyzed:

- Employer credit for paid family & medical leave (45S)
- Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E and 45T)[i]
- Disabled access credit (44)
- Indian employment credit (45A)
- Employer-provided childcare credit (45F)
- Work opportunity tax credit (51)

Overall, this analysis estimates that extending these six tax credits to 501(c)(3) organizations would support 27,570 jobs, $1.2 billion in annual wages and benefits, and $1.8 billion in annual gross domestic product (GDP) at an annual cost to the Treasury of less than $270 million, on average.

Scope of analysis

This analysis estimates the following:

1. **The 10-year revenue impact of extending six credits to eligible 501(c)(3) organizations:** Estimated using the Joint Committee on Taxation's conventional scoring methodology. This analysis assumes that the six credits are extended to 501(c)(3) organizations by allowing the credits to be claimed against payroll taxes. Results may differ if another mechanism is used to extend the credits to 501(c)(3) organizations.

2. **The footprint of economic activity benefitting from credit expansion:** Shows the gross amount of economic activity tied to extending the six tax credits to 501(c)(3) organizations directly, through their suppliers, and through related consumer spending.

3. **High-level credit-specific benefits analysis:** Presents additional detail on economic benefits from extending the six tax credits to 501(c)(3) organizations, including the number of affected 501(c)(3) organizations, number of affected employees and their wages, and the value of investment directly benefitting from the credits.

Estimated revenue impacts

Over the 10-year budget window (2025-2034), extending of the full package of six tax credits to 501(c)(3) organizations is estimated to cost $2.6 billion.

[i] Technically, the credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment is comprised of three distinct components: the credit for small employer pension plan start-up costs (45E), the small employer pension plan employer contribution credit (45E), and the credit for small employer automatic enrollment add-on (45T). For simplicity, here and throughout the remainder of this report, these three components are grouped together into one.

Table ES-1. Revenue estimate for extending six tax credits to 501(c)(3) organizations
$ in millions, fiscal years

	2025-2034 cost
Employer credit for paid family & medical leave (45S)	$56
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	$516
Disabled access credit (44)	$10
Indian employment credit (45A)	$135
Employer-provided childcare credit (45F)	$10
Work opportunity tax credit (51)	$1,900
Total	**$2,628**

Note: The total is a simple sum and does not reflect interactions between the six credits.
Figures are rounded.
Source: EY analysis.

Estimated footprint of economic activity

Table ES-2 displays the total footprint of economic activity supported by extending the six tax credits to 501(c)(3) organizations. This consists of the economic activity directly supported by the tax credits, and related supplier activity and consumer spending in 2025. The total economic footprint is:

- *Employment:* 27,570 jobs
- *Labor income:* $1.2 billion in wages and benefits
- *GDP:* $1.8 billion of GDP in the United States.

Table ES-2. Footprint of economic activity supported by extending select tax credits to 501(c)(3) organizations, 2025

	Employment *(annual)*	Labor income *(annual, $m)*	GDP *(annual, $m)*
Employer credit for paid family & medical leave (45S)	550	$50	$70
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	300	$30	$40
Disabled access credit (44)	20	$2	$2
Indian employment credit (45A)	2,200	$120	$190
Employer-provided childcare credit (45F)	100	$4	$6
Work opportunity tax credit (51)	24,400	$1,000	$1,480
Total	**27,570**	**$1,206**	**$1,788**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through supplier chain activity and related consumer spending. In addition,

extending the analysis to all nonprofit organizations (i.e., not just 501(c)(3) organizations) is estimated to increase the results by roughly 25%. Figures are rounded.
Source: EY analysis.

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Extending select tax credits to 501(c)(3) organizations

I. Introduction

This report estimates the revenue impact and footprint of economic activity benefitting from extending six tax credits to 501(c)(3) organizations. The following provisions are analyzed:

- Employer credit for paid family and medical leave (45S)
- Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E and 45T)
- Disabled access credit (44)
- Indian employment credit (45A)
- Employer-provided childcare credit (45F)
- Work opportunity tax credit (51)

At present, C corporations and pass-through businesses (S corporations, sole proprietorships and partnerships) can generally use these credits to offset their tax liability.[1] This analysis assumes that the credits would be extended to eligible 501(c)(3) organizations by allowing the credits to offset their payroll tax liability. Results may differ if another mechanism is used to extend the credits to 501(c)(3) organizations

This analysis also estimates the footprint of economic activity benefitting from the credits, as well as several high-level credit-specific benefits (e.g., types of spending, access to retirement plans/benefits) from extending the credits to 501(c)(3) organizations.

The amount of economic activity benefitting from extending the six tax credits to 501(c)(3) organizations is measured as the sum of: the economic activity directly benefitting from the credit, the related supply-chain activity, and the related consumer spending. This is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to or supported by extending the six tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending.

Assuming 501(c)(3) organizations are representative of all nonprofit organizations, the estimates presented could increase by roughly 25% if the credit proposals were extended to all nonprofit organizations (i.e., 501(c)(3) organizations plus all other nonprofit organizations).[2]

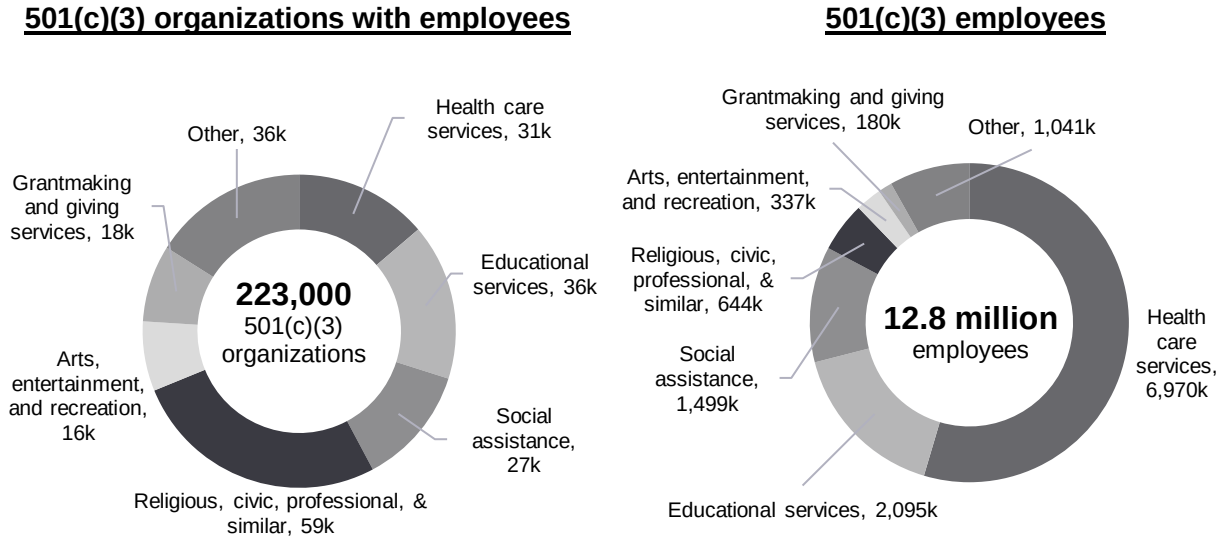
II. Size of the 501(c)(3) nonprofit sector

There are approximately 1.9 million tax-exempt organizations registered with the Internal Revenue Service (IRS), spanning 29 501(c), four 501(d-k), and one 521(a) categories.[3] Of these 1.9 million tax-exempt organizations, 1.5 million are 501(c)(3) organizations.[4]

The majority of tax-exempt organizations are small and have few or no paid workers, instead relying solely on volunteers; that is, they have no payroll and, consequently, no payroll taxes against which the six proposed credits analyzed by this report could apply.[5] Assuming the 1.5 million 501(c)(3)s are representative of the remaining 400,000 tax-exempt organizations, the estimates presented could increase by roughly 25% if the six tax credit proposals applied to all nonprofit organizations.[6]

Overall, 223,000 501(c)(3) organizations employed 12.8 million workers in 2022.[7] Of the 223,000 501(c)(3) organizations, 59,000 are in the religious, civic, professional and similar industry, 36,000 are in the educational services industry, and 31,000 are in the health care services industry. Most workers (7.0 million) are employed by 501(c)(3) organizations in healthcare services, followed by educational services (2.1 million), and social assistance (1.5 million). Health care services include not only medical professionals that work at hospitals, but also medical researchers, workers at free and charitable clinics, and nursing home employees.

Figure 1. 501(c)(3) organizations and their employees by industry, 2022



Source: US Bureau of Labor Statistics; US Census Bureau; and EY analysis.

III. Methodology

Revenue impacts

The revenue impacts of extending the six tax credits to 501(c)(3) organizations were estimated using Joint Committee on Taxation's (JCT) conventional scoring methodology. Revenue estimates were produced for the 2025-2034 budget window and are presented on a fiscal year basis. Descriptions of how the revenue estimates were calculated (i.e., data, behavioral and other assumptions, methodology) are described in table notes and endnotes.

Footprint of economic activity supported by the expanded credits

This report presents estimates of the footprint of economic activity directly supported by extending the six tax credits to 501(c)(3) organizations (i.e., direct effects), as well as the economic activity connected to this activity (i.e., supply chain activity and related consumer spending effects).

- The **direct effect** is the footprint of economic activity at 501(c)(3) organizations receiving the tax credits or directly related to the 501(c)(3) organizations taking the credit.
- The **supply chain effect** is the footprint of economic activity supported at suppliers of goods and services for the economic activity directly supported. Purchases of these goods and services lead to additional rounds of economic activity as suppliers purchase operating inputs from their own suppliers.
- The **related consumer spending effect** occurs when labor income is supported directly or at suppliers, which in turn affects consumer spending that supports economic activity at other businesses (e.g., grocery stores and restaurants). The earnings spent on food at a restaurant, for example, support jobs at the restaurant as well as at farms, transportation companies, and other businesses involved in the restaurant's supply chain.

Note that this analysis estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. This contrasts to an economic impact analysis, which typically attempts to estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium.

Economic activity is measured in terms of employment, labor income, and gross domestic product (GDP):

- **Employment.** Employment is generally measured as the total headcount of US workers. For example, an organization with three full-time workers and an organization with two full-time workers and one part-time worker would both be measured as having three workers.
- **Labor income.** Labor income includes employee compensation and proprietor income. Employee compensation includes employee cash compensation (wages) and benefits. Proprietor income includes payments received by self-employed businesses and unincorporated business owners. Note that while 501(c)(3) organizations do not have

proprietor income, businesses supported in their supply chain or due to related consumer spending can. Labor income is a component of GDP.

- **GDP.** GDP is the total market value of final goods and services produced in the United States.

The footprint of economic activity is estimated as follows. First, the revenue estimate for expanding each credit to qualifying 501(c)(3) organizations is estimated. Then, the revenue estimate is translated into the economic activity benefitting from the credit. This activity could include construction spending, fees paid to financial service providers, and employee compensation for workers. Then, the Impacts for Planning (IMPLAN) input-output model of the US economy for 2023 is used to estimate the supplier purchases and consumer spending related to the economic activity directly benefitted by the 501(c)(3) organizations receiving these tax credits.[8] All estimates are then grown to 2025 dollars.

IV. Extending the six tax credits to 501(c)(3) organizations

A. Summary of revenue impacts and footprint of economic activity for extending six tax credits to 501(c)(3) organizations

Revenue impacts

Over the 10-year budget window (2025-2034), extending the full package of six tax credits to 501(c)(3) organizations is estimated to cost $2.6 billion (not taking into account interactions across the six credits), as displayed in Table 1. Extending the Work Opportunity Tax Credit (WOTC) to 501(c)(3) organizations is estimated to account for the majority of the cost, at $1.9 billion over 10 years, followed by the small employer pension plan contribution credit ($420 million), and the Indian employment credit ($135 million).

Table 1. Revenue estimates for extending six tax credits to 501(c)(3) organizations
$ in millions, fiscal years

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Employer credit for paid family & medical leave (45S)	$4	$5	$5	$5	$6	$6	$6	$6	$6	$7	$56
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	$33	$46	$48	$49	$51	$53	$56	$58	$60	$62	$516
Disabled access credit (44)	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$10
Indian employment credit (45A)	$9	$13	$13	$13	$14	$14	$14	$15	$15	$16	$135
Employer-provided childcare credit (45F)	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$10
Work opportunity tax credit (51)	$145	$194	$194	$194	$195	$195	$195	$195	$196	$196	$1,900
Total	**$193**	**$260**	**$262**	**$263**	**$268**	**$270**	**$273**	**$276**	**$279**	**$283**	**$2,628**

Note: Each credit proposal is estimated independently; that is, the estimates for each credit proposal (or the total), do not reflect any interactions between the individual credit proposals. See endnotes for full methodology. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 2, the footprint of economic activity supported by extending the six tax credits to 501(c)(3) organizations is an estimated 27,570 jobs earning $1.2 billion in labor income and generating $1.8 billion of GDP in the United States in 2025. This includes the economic activity directly supported by the tax credits, and related supplier activity and consumer spending.

- Extending the six tax credits to 501(c)(3) organizations is estimated to directly support 19,810 workers earning $623 million in labor income and generating $753 million of GDP.
- Extending the six tax credits to 501(c)(3) organizations is estimated to support 7,760

workers earning $583 million in labor income and generating $1 billion of GDP at suppliers to directly supported economic activity and via related consumer spending.

Table 2. Footprint of economic activity benefitting from expanding six tax credits to 501(c)(3) organizations, 2025

	Direct	Suppliers and related consumer spending	Total
Employment			
Employer credit for paid family & medical leave (45S)	250	300	550
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	100	200	300
Disabled access credit (44)	10	10	20
Indian employment credit (45A)	1,400	800	2,200
Employer-provided childcare credit (45F)	50	50	100
Work opportunity tax credit (51)	18,000	6,400	24,400
All credits	**19,810**	**7,760**	**27,570**
Labor income ($m)			
Employer credit for paid family & medical leave (45S)	$30	$20	$50
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	$10	$20	$30
Disabled access credit (44)	$1	$1	$2
Indian employment credit (45A)	$60	$60	$120
Employer-provided childcare credit (45F)	$2	$2	$4
Work opportunity tax credit (51)	$520	$480	$1,000
All credits	**$623**	**$583**	**$1,206**
GDP ($m)			
Employer credit for paid family & medical leave (45S)	$30	$40	$70
Credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T)	$10	$30	$40
Disabled access credit (44)	$1	$1	$2
Indian employment credit (45A)	$80	$110	$190
Employer-provided childcare credit (45F)	$2	$4	$6
Work opportunity tax credit (51)	$630	$850	$1,480
All credits	**$753**	**$1,035**	**$1,788**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded.
Source: EY analysis.

High-level credit-specific benefits analysis

- **Employer credit for paid family & medical leave (45S):** The credit for paid family leave is estimated to benefit more than 100 501(c)(3) organizations annually employing nearly 50,000 workers. The credit is estimated to benefit more than 300 501(c)(3) organization employees with children each year.[9]

- **Small employer pension plan start-up costs, employer contributions, and automatic enrollment credits (45E, 45T):** Approximately 24,500 employees across more than 2,200 501(c)(3) organizations would gain access to a retirement plan each year due to the credit for startup costs and automatic enrollment. Roughly 19,000 of these employees at 501(c)(3) organizations are estimated to receive, on average, $3,100 per year in employer contributions to the plans.[10]

- **Disabled access credit (44):** Nearly 170 small 501(c)(3) organizations would receive a credit related to approximately $1.5 million in expenditures used to provide access to people with disabilities (e.g., ramps, handrails, accessible devices) each year.

- **Indian employment credit (45A):** The Indian employment credit is estimated to benefit 501(c)(3) organizations employing 1,400 Native Americans living on or near reservations each year.

- **Employer-provided childcare credit (45F):** Roughly 10 501(c)(3) organizations spending $3.7 million on construction of childcare facilities and nearly $700,000 on resources and referrals would benefit from this credit each year. An average-sized 501(c)(3) organization (approximately 55 employees) has, on average, 15 working parents.

- **Work opportunity tax credit (51):** WOTC is estimated to benefit 501(c)(3) organizations hiring 50,000 disadvantaged workers (17,500 full-time-equivalent workers).[11] These employees are estimated to earn $500 million, and these wages are generally subject to individual income and payroll taxes. Disadvantaged workers include Supplemental Nutrition Assistance Program (SNAP) recipients, Supplemental Security Income (SSI) recipients, Temporary Assistance for Needy Families (TANF) recipients, ex-felons, veterans, and the long-term unemployed, among others.

B. Employer credit for paid family & medical leave (45S)

The employer credit for paid family and medical leave provides a credit to employers for wages paid to employees while out on qualifying family or medical leave. The credit is calculated as 12.5% of wages plus 0.25% for each percentage point by which the amount paid to the employee exceeds 50% of their wages. Employees must have wages under $81,000 (in 2023) to qualify.[12]

In 2020, 1,230 tax returns (C corporations, S corporations, and partnerships) received $101 million in employer credits for paid family and medical leave.

Revenue impact

Expanding the employer credit for paid family and medical leave to 501(c)(3) organizations is

estimated to cost $4 million in 2025 and $56 million over the 2025-2034 budget window. Table 3 displays the revenue estimate by year.

Table 3. Revenue estimate for expanding the employer credit for paid family & medical leave (45S) to 501(c)(3) organizations, *$ in millions*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Employer credit for paid family & medical leave (45S)	$4	$5	$5	$5	$6	$6	$6	$6	$6	$7	$56

Note: Estimates are produced as (take-up rate of for-profit businesses) x (the average credit claimed per for-profit business) x (total number of 501(c)(3) organizations) by industry-size category. The primary source of information on credit take-up and amounts across for-profit businesses is a table published by the US Treasury Department that reports the number of claims and the total value of the credit by firm size (revenue under $25 million, between $25 million and $1 billion, and over $1 billion) and industry (goods-producing and services). The Treasury data show that 1,230 tax returns of C corporations, S corporations, and partnerships claimed $101 million in employer credits for paid family and medical leave in 2020, for an average of $82,114 per tax return ($92,828 in 2022). The average credit varies significantly across industry-size category (between $4,300 and $720,700 per return (in 2022 dollars), depending on the industry-size category). Average credits were grown from 2020 to 2022 (the year of the 501(c)(3) organization counts) using Consumer Price Index for All Urban Consumers (CPI-U). The take-up rate was calculated for each industry-size category as the number of tax returns in that category that took the credit divided by the total number of C corporation, S corporation, and partnership tax returns in that category. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 4, the footprint of economic activity supported by expanding the employer credit for paid family and medical leave includes an estimated 550 jobs earning $50 million in labor income and generating $70 million of GDP in the United States.[13] This consists of the economic activity directly supported by the tax credits, as well as the related supplier activity and consumer spending.

- Extending the employer credit for paid family and medical leave to 501(c)(3) organizations is estimated to directly support 250 workers earning $30 million in wages and benefits and generating $30 million of GDP.
- Extending the employer credit for paid family and medical leave to 501(c)(3) organizations is estimated to support 300 workers earning $20 million in wages and benefits and generating $40 million of GDP at suppliers to directly supported economic activity and via related consumer spending.

Table 4. Footprint of economic activity for expanding the employer credit for paid family & medical leave (45S) to 501(c)(3) organizations, 2025

	Employment *(annual)*	Labor income *(annual $m)*	GDP *(annual $m)*
Direct	250	$30	$30
Suppliers and related consumer spending	300	$20	$40
Total	**550**	**$50**	**$70**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded.
Source: EY analysis.

C. Small employer pension plan start-up costs, employer contributions, and automatic enrollment credits (45E, 45T)[14]

The credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment is comprised of three distinct components: the credit for small employer pension plan start-up costs (45E), the small employer pension plan employer contribution credit (45E), and the credit for small employer automatic enrollment add-on (45T). Each of these components is described in detail below.

The small employer pension plan startup credit (45E) provides a credit of up to $5,000 to cover the costs of starting a Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA), or qualified plan (like a 401(k) plan) for the first three years of plan implementation. For organizations with 50 or fewer employees, the credit is calculated as 100% of start-up costs capped at the greater of $500 or the lesser of $5,000 and $250 per eligible employee. For organizations with 51 to 100 employees, the credit is calculated as 50% of start-up costs capped at the greater of $500 or the lesser of $5,000 and $250 per eligible employee.

There is an additional credit of up to $1,000 per employee for employer contributions (45E) over the first five years of plan implementation. To receive the credit, employers must not have offered a plan during the prior three years.

The automatic enrollment credit (45T) provides a credit of $500 per year for the first three years a small employer includes an auto-enrollment feature. The credit is available to organizations with an existing defined contribution plan as well those implementing a new plan. Automatic enrollment becomes mandatory for all new plans beginning in 2025.

Across both the 45E and 45T credit, employers must have fewer than 100 employees to qualify.

In 2021, 476 C corporations claimed $377,000 in small employer pension startup credits and pass-through businesses claimed $5.4 million (average of $792 per return). This amount only includes the credit for small employer pension startup costs (pre-Secure 2.0 expansion, which

increased the credit rate from 50% to 100% for businesses with under 50 employees) and automatic enrollment.

Revenue impact[15]

Expanding the credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment to 501(c)(3) organizations is estimated to cost $33 million in 2025 and $516 million over the 2025-2034 budget window. Specifically:

- Expanding the credit for small employer pension plan start-up costs to 501(c)(3) organizations is estimated to cost $5 million in 2025 and $81 million over the 2025-2034 budget window.
- Expanding the small employer pension plan employer contribution credit to 501(c)(3) organizations is estimated to cost $27 million in 2025 and $420 million over the 2025-2034 budget window.
- Expanding the small employer automatic enrollment credit to 501(c)(3) organizations is estimated to cost $1 million in 2025 and $15 million over the 2025-2034 budget window. Table 5 displays the revenue estimate by year.

Table 5. Revenue estimate for expanding retirement credits for small businesses (45E and 45T) to 501(c)(3) organizations, *$ in millions*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Credit for small employer pension plan start-up costs (45E)	$5	$7	$8	$8	$8	$8	$9	$9	$9	$10	$81
Small employer pension plan employer contribution credit (45E)	$27	$38	$39	$40	$42	$43	$45	$47	$49	$50	$420
Small employer automatic enrollment credit (45T)	$1	$1	$1	$1	$1	$2	$2	$2	$2	$2	$15
Total	**$33**	**$46**	**$48**	**$49**	**$51**	**$53**	**$56**	**$58**	**$60**	**$62**	**$516**

Note: The cost of each credit was calculated independently. For a full methodology, see endnotes. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 6, the footprint of economic activity supported by expanding the credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment includes an estimated 300 jobs earning $30 million in wages and benefits and generating $40 million of GDP in the United States. This consists of the economic activity directly benefitting from the tax credits, as well as the related supplier activity and consumer spending.

- Extending these retirement plan credits for small businesses to 501(c)(3) organizations is estimated to directly support 100 workers earning $10 million in wages and benefits and generating $10 million of GDP.[16]

- Extending these retirement credits for small businesses to 501(c)(3) organizations is estimated to support 200 workers earning $20 million in wages and benefits and generating $30 million of GDP at suppliers to directly supported economic activity and via related consumer spending.

Table 6. Footprint of economic activity for expanding the credit for small employer pension plan start-up costs, employer contributions, and automatic enrollment (45E, 45T) to 501(c)(3) organizations, 2025

	Employment *(annual)*	**Labor income** *(annual $m)*	**GDP** *(annual $m)*
Direct	100	$10	$10
Suppliers and related consumer spending	200	$20	$30
Total	**300**	**$30**	**$40**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded. See endnotes for a description of methodology.
Source: EY analysis.

D. Disabled access credit (44)

The disabled access credit provides a credit for small businesses with fewer than 30 employees or less than $1 million in gross receipts that incur expenses to provide access to individuals with disabilities. The credit is calculated as 50% of annual expenditures between $250 and $10,000 and is capped at $5,000.

In 2021, C corporations and pass-through businesses claimed $20 million in disabled access credits, with almost all of the cost incurred by pass-through businesses. The average credit per return from 2018-2021 was $4,048.

Revenue impact

Expanding the disabled access credit to 501(c)(3) organizations is estimated to cost $1 million in 2025 and $10 million over the 2025-2034 budget window. Table 7 displays the revenue estimate by year.

Table 7. Revenue estimate for expanding the disabled access credit (44) to 501(c)(3) organizations, *$ in millions*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Disabled access credit (44)	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$10

Note: Estimates are produced as (the number of eligible small 501(c)(3) organizations) x (the take-up rate by eligible small for-profit businesses) x (the average credit amount claimed per for-profit businesses). The number of eligible 501(c)(3) organizations (180,935) was calculated as the number of 501(c)(3) organizations from the BLS dataset that either had gross receipts of $1 million or less or fewer than 30 full-time employees. The take-up rate was calculated as the number of for-profit businesses claiming the disabled access credit in 2021 divided by the count of for-profit businesses that either had gross receipts of $1 million or less or fewer than 30 full-time employees. The average value of the credit per for-profit business taking the credit was estimated from Form 3800. A 2023 report by the Congressional Research Service states that it "could find no studies of the effectiveness of the credit and that few businesses were even aware of it. It appears that no such studies have been done since 2002." Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 8, the footprint of economic activity supported by expanding the disabled access credit includes an estimated 20 jobs earning $2 million in wages and benefits and generating $2 million of GDP in the United States.[17] This consists of the economic activity directly benefitting from the tax credits, as well as the related supplier activity and consumer spending.

- Extending the disabled access credit to 501(c)(3) organizations is estimated to support 10 workers earning $1 million in wages and benefits and generating $1 million of GDP at construction companies providing services to 501(c)(3) organizations claiming the credits.
- Extending the disabled access credit to 501(c)(3) organizations is estimated to support 10 workers earning $1 million in wages and benefits and generating $1 million of GDP at suppliers to construction companies providing services to the 501(c)(3) organizations directly claiming credit and related spending of workers.

Table 8. Footprint of economic activity for expanding the disabled access credit (44) to 501(c)(3) organizations, 2025

	Employment *(annual)*	**Labor income** *(annual $m)*	**GDP** *(annual $m)*
Direct	10	$1	$1
Suppliers and related consumer spending	10	$1	$1
Total	**20**	**$2**	**$2**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded. See endnotes for a description of methodology.
Source: EY analysis.

E. Indian employment credit (45A)

The Indian employment credit is available to employers who hire Indian tribe members or their spouses who live on or near the reservation. The credit is 20% of qualified wages and health insurance costs paid to the employee. It can be claimed for employees who earn less than $50,000. The credit expired at the end of 2021. This analysis re-instates the credit for 501(c)(3) organization workers beginning in 2025.

In 2021, 618 C corporations claimed $47 million in credits and pass-through businesses claimed an additional $38 million, for a total cost of $85 million (average of $74,641 per return).

Revenue impact

Expanding the Indian employment credit to 501(c)(3) organizations is estimated to cost $9 million in 2025 and $135 million over the 2025-2034 budget window. Table 9 summarizes the revenue estimate by year.

Table 9. Revenue estimate for expanding the Indian employment credit (45A) to 501(c)(3) organizations, *$ in millions*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Indian employment credit (45A)	$9	$13	$13	$13	$14	$14	$14	$15	$15	$16	$135

Note: Estimates were produced using IRS line-Item estimates and the 2022 5-year American Community Survey. Specifically, the revenue estimate is produced by estimating, across both for-profit businesses and nonprofits, the count, wages, and health insurance costs of Native Americans that live on or near a reservation using data from the US Census. Reservations were identified by US Census as federally recognized American Indian reservations and off-reservation trust land areas, tribal subdivisions that can divide these entities, state-recognized American Indian reservations, and Alaska Native Regional Corporations. Hawaiian Homelands were not included. Health insurance costs were estimated as a share of wages using data by industry from BLS' Employer Costs for Employee Compensation dataset for private industry workers. The credit is calculated as (the number of Native American workers on reservations) x (median wage + health insurance costs) x (20%) x (take-up rate). The value of the credit was first calculated for for-profit workers. The take-up rate was estimated as (the actual value of the credit claimed from IRS line-item data) / (the credit amount calculated using Census data assuming all eligible employees would receive the credit). Then, the credit was calculated in the same way for nonprofit Native American workers and the imputed for-profit take-up rate was applied to nonprofits. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 10, the footprint of economic activity supported by expanding the Indian employment credit includes an estimated 2,200 jobs earning $120 million in wages and benefits and generating $190 million of GDP in the United States.[18] This consists of the economic activity directly supported by the tax credits, as well as the related supplier activity and consumer spending.

- Extending the Indian employment credit to 501(c)(3) organizations is estimated to support 1,400 workers earning $60 million in wages and benefits and generating $80 million of GDP at 501(c)(3) organizations claiming the credits.
- Extending the Indian employment credit to 501(c)(3) organizations is estimated to support 800 workers earning $60 million in wages and benefits and generating $110 million of

GDP at suppliers to businesses directly claiming the expanded tax credits and the spending of workers at 501(c)(3) organizations directly claiming the expanded tax credits.

Table 10. Footprint of economic activity for expanding the Indian employment credit (45A) to 501(c)(3) organizations, 2025

	Employment *(annual)*	**Labor income** *(annual $m)*	**GDP** *(annual $m)*
Direct	1,400	$60	$80
Suppliers and related consumer spending	800	$60	$110
Total	**2,200**	**$120**	**$190**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded. See endnotes for a description of methodology.
Source: EY analysis.

F. Employer-provided childcare credit (45F)

The employer-provided childcare credit provides an incentive to employers who offer childcare services to their employees. The credit is 25% of qualified childcare facility expenses plus 10% of qualified childcare resource and referral expenses, up to $150,000.

In 2021, 176 C corporations received $16 million in employer-provided childcare credits and pass-through businesses received an additional $7 million, for a total cost of $23 million and an average credit per return of $89,227.

Revenue impact

Expanding the employer-provided childcare credit to 501(c)(3) organizations is estimated to cost $1 million in 2025 and $10 million over the 2025-2034 budget window. Table 11 summarizes the revenue estimate by year.

Table 11. Revenue estimate for expanding the employer-provided childcare credit (45F) to 501(c)(3) organizations, *$ in millions*

	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2025-2034**
Employer-provided childcare credit (45F)	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$10

Note: Estimates are produced as: (the number of 501(c)(3) organizations) x (the take-up rate of for-profit businesses) x (the average credit amount claimed per for-profit business). The credit take-up rate is calculated as the number of for-profit businesses claiming the employer-provided childcare credit in 2021 divided by the count of for-profit businesses. The average credit amount claimed per for-profit business is from Form 3800. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 12, the footprint of economic activity supported by expanding the employer-provided childcare credit includes an estimated 100 jobs earning $4 million in wages and benefits and generating $6 million of GDP in the United States.[19] This consists of the economic activity directly supported by the tax credits, as well as related supplier activity and consumer spending.

- Extending the employer-provided childcare credit to 501(c)(3) organizations is estimated to directly support 50 workers earning $2 million in wages and benefits and generating $2 million of GDP.
- Extending the employer-provided childcare credit to 501(c)(3) organizations is estimated to support 50 workers earning $2 million in wages and benefits and generating $4 million of GDP at suppliers to directly supported economic activity and via related consumer spending.

Table 12. Footprint of economic activity for expanding employer-provided childcare credit (45F) to 501(c)(3) organizations, 2025

	Employment *(annual)*	**Labor income** *(annual $m)*	**GDP** *(annual $m)*
Direct	50	$2	$2
Suppliers and related consumer spending	50	$2	$4
Total	**100**	**$4**	**$6**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. Figures are rounded.
Source: EY analysis.

G. Work opportunity tax credit (51)

WOTC provides a credit for employers who hire individuals from groups that have traditionally faced employment barriers.[20] It is calculated based on the percentage of first-year wages paid to a certified WOTC employee. For individuals who have worked at least 120 hours, but less than 400 hours in their first year, the credit is calculated as 25% of qualified wages. For individuals who have worked at least 400 hours in their first year, the percentage of qualified wages increases to 40%. Individuals working less than 120 hours in their first year do not qualify for WOTC. Each target group has a maximum amount of qualified wages used to calculate the individual credit amount.

For TANF recipients, SNAP recipients between the ages of 18-39, veteran SNAP recipients, ex-felons, designated community residents, vocational rehabilitation referrals, SSI recipients, the long-term unemployed, and veterans unemployed for at least four weeks, the maximum qualified wages is $6,000. For individuals in these target groups who work at least 120 hours, but less than

400, the maximum credit amount is $6,000 x 25%, or $1,500. For individuals who work at least 400 hours, the credit rate increases to 40% and the maximum credit becomes $2,400.

The summer youth target group has maximum qualified wages of $3,000. Summer youth who work at least 120 hours, but less than 400 hours have a maximum credit amount of $750 ($3,000 x 25%). Summer youth who work at least 400 hours have a maximum credit amount of $1,200 ($3,000 x 40%). Veterans disabled for at least one year have maximum qualified wages of $12,000, increasing the maximum credit amount to $3,000 for those working at least 120 hours, but less than 400 hours, and $4,800 for those working at least 400 hours. The maximum qualified wages increases to $14,000 for veterans unemployed for at least 6 months, with maximum credit amounts of $3,500 and $5,600, respectively. Veterans disabled and unemployed for at least 6 months have maximum qualified wages of $24,000 with maximum credit amounts of $6,000 and $9,600, respectively.

The credit for long-term TANF recipients is calculated using both first-year and second-year wages and hours worked. The first-year credit is calculated as 25% of qualified first-year wages for individuals working between 120-400 hours with a maximum of $10,000 in qualified wages (maximum credit amount of $2,500) and 40% of qualified first-year wages for individuals working at least 400 hours (maximum credit amount of $4,000). The second-year credit has a maximum of $10,000 in qualified wages and is calculated as 50% of qualified second-year wages (maximum credit amount of $5,000). The total maximum credit amount for long-term TANF recipients is $9,000 ($4,000 + $5,000).[21] Under current law, nonprofit organizations are only eligible to claim WOTC for hiring qualified veterans.

In 2021, C corporations and pass-through businesses claimed $2.3 billion in credits, with the majority of costs incurred by C corporations (average of $291,549 per return).

Revenue impact

Applying WOTC to 501(c)(3) organizations is estimated to cost $145 million in 2025 and $1.9 billion over the 2025-2034 budget window. Table 13 summarizes the revenue estimate by year.

Table 13. Revenue estimate for expanding the work opportunity tax credit (51) to 501(c)(3) organizations, *$ in millions*

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Work opportunity tax credit (51)	$145	$194	$194	$194	$195	$195	$195	$195	$196	$196	$1,900

Note: This analysis first uses BLS data on for-profit employment and IRS line-count data on for-profit WOTC usage to estimate an implied take-up rate for for-profit businesses. BLS data on 501(c)(3) employment is then combined with the implied take-up rate for for-profit businesses to produce an estimate for 501(c)(3) organizations. This analysis assumes the take-up rate for 501(c)(3) organizations is the same as for-profit businesses. Projections over the budget window are based on for-profit WOTC use as estimated by the Joint Committee on Taxation. Figures are rounded.
Source: EY analysis.

Footprint of economic activity

As displayed in Table 14, the footprint of economic activity supported by allowing 501(c)(3) organizations to claim WOTC includes an estimated 24,400 jobs earning $1 billion in wages and

benefits and generating $1.5 billion of GDP in the United States.[22] This consists of the economic activity directly supported by from the tax credits, as well as the related supplier activity and consumer spending.

- Allowing 501(c)(3) organizations to claim WOTC is estimated to support 18,000 workers earning $520 million in wages and benefits and generating $630 million of GDP at 501(c)(3) organizations claiming the credits.
- Allowing 501(c)(3) organizations to claim WOTC is estimated to support 6,400 workers earning $480 million in wages and benefits and generating $850 million of GDP at suppliers to businesses directly claiming the expanded tax credits and the spending of workers at 501(c)(3) organizations directly claiming the expanded tax credits.

Table 14. Footprint of economic activity for expanding the work opportunity tax credit (51) to 501(c)(3) organizations, 2025

	Employment *(annual)*	**Labor income** *(annual $m)*	**GDP** *(annual $m)*
Direct	18,000	$520	$630
Suppliers and related consumer spending	6,400	$480	$850
Total	**24,400**	**$1,000**	**$1,480**

Note: The footprint of economic activity supported by the credits is measured as the sum of: the economic activity directly supported by the credit, the related supply-chain activity, and the related consumer spending. Note that this is not the economic activity that would not have occurred but for the credit. An economic impact analysis typically would estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis estimates the economic footprint without accounting for such shifting. That is, it estimates the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending. WOTC employment is estimated as full-time equivalents. Figures are rounded. See endnotes for methodology.
Source: EY analysis.

V. Caveats and limitations

Any modeling effort is only an approximate depiction of the economic forces it seeks to represent, and the economic models developed for this analysis are no exception. Although various limitations and caveats might be listed, several are particularly noteworthy:

- **The analysis is not the economic impact or the economic activity that wouldn't have occurred were it not for the credit.** Specifically, an economic impact analysis typically attempts to estimate impacts that net out shifts in economic activity across industries and sectors as the economy moves from its initial equilibrium to its new equilibrium. In contrast, this analysis shows the gross amount of economic activity tied to expanding select tax credits to 501(c)(3) organizations directly, and through its suppliers and related consumer spending.

- **The analysis considers the revenue and economic activity of 501(c)(3) organizations only.** The main source of data on 501(c)(3) organizations is a US Bureau of Labor Statistics (BLS) dataset on the number of nonprofit establishments, employees, and payroll by industry. It is assumed that this dataset is representative of the entire universe of 501(c)(3) organizations with employees.

- **Estimates only account for 501(c)(3) organizations with payroll.** That is, since the six credit proposals allow 501(c)(3) organizations to claim the credits against payroll taxes, the analysis only pertains to those organizations with employment.

- **Estimates assume there is no increase in the number of nonprofit organizations.** The estimates assume that the overall number of workers and payroll in the nonprofit sector does not change relative to the current-law baseline.

- **Estimated economic activity are based on a stylized depiction of the US economy.** The economic models used for this analysis are, by their very nature, stylized depictions of the US economy. As such, they cannot capture all of the detail of the US economy, the existing US tax system, or the tax policy change.

- **Estimates are limited by available public information.** The analysis relies on information reported by government agencies (primarily the Bureau of Economic Analysis, BLS, IRS, and JCT). The analysis did not attempt to verify or validate this information using sources other than those described in this report.

Endnotes

[1] The Indian employment credit expired in 2021. The employer credit for paid family leave and the work opportunity tax credits expire at the end of 2025.
[2] Since the six credit proposals allow 501(c)(3) organizations to claim the credits against payroll taxes, the analysis only pertains to those organizations with employment.
[3] Smaller 501(c)(3) organizations – generally those with less than $50,000 in gross receipts –are required to file only Form 990-N (e-Postcard), which provides minimal information. Larger 501(c)(3) organizations – generally those with gross receipts of $200,000 or more or total assets of $500,000 or more – are required to file Form 990 or Form 990-EZ, which provide detailed financial data. Data on other types of tax-exempt organizations are generally less detailed.
[4] Tax-exempt organizations are entities that are exempt from federal income tax. The term "nonprofit" refers to an organization's incorporation status under state law. Most tax-exempt organizations are nonprofits, but not all nonprofits are tax exempt.
[5] The main data used for this analysis is the number of 501(c)(3) establishments, employees, and payroll by industry from the US Bureau of Labor Statistics (BLS). It is assumed that this dataset is representative of the entire universe of 501(c)(3) organizations with employees. BLS estimates the number of 501(c)(3) establishments and employees by 1) matching the IRS exempt organization database with its Business Register using EINs and 2) supplementing it with required unemployment insurance reporting files. From the 1.5 million 501(c)(3)s, BLS matched roughly 300,000. There are several reasons for this large discrepancy: 1) employers can have multiple EINs, 2) many 501(c)(3)s have no paid employees, so they would not appear in the BLS's Business Register, 3) because some states require reporting for organizations with 4 or more employees, the smallest nonprofits could be left out – this could undercount 40,000 out of 12 million employees, and 4) because exempt organizations renew their certification every three years, some entities in the JCT master file may no longer be in operation. This analysis supplements BLS data with data from the US Census Bureau and IRS.
[6] The ~25% figure is a high-level estimate. It is calculated as 1.9 million total tax-exempt organizations / 1.5 million 501(c)(3) organizations. This high-level measure was used because there are very limited data on tax-exempt organizations that are not 501(c)(3) organizations.
[7] BLS reports that there are 344,494 501(c)(3) establishments with employees. BLS defines establishments as a single physical location where a predominant economic activity occurs. However, firms are used in this analysis because that is the unit for filing a tax return and where economic decision-making most often occurs. BLS defines firms as one or more establishments with common ownership or control and covering one or more industries. Here and elsewhere in this report, nonprofit firms are referred to as "organizations." To estimate the number of 501(c)(3) organizations, the ratio of organizations to establishments by size and industry was applied to the count of 501(c)(3) establishments with employees provided by BLS. Most businesses are single establishment firms. For more information, see: https://www.bls.gov/opub/mlr/2016/article/establishment-firm-or-enterprise.htm and http://census.gov/programs-surveys/susb/about/glossary.html.
[8] The economic multipliers used for this analysis were estimated using the 2023 IMPLAN input-output model. IMPLAN is used by more than 500 universities and government agencies and includes the interaction of more than 500 industry sectors, thus identifying the interaction of specific industries benefitting from the expanded tax credits. The multipliers in the IMPLAN model are based on the Leontief production function, which estimates the total economic requirements for every unit of direct output in a given industry based on detailed inter-industry relationships documented in the input-output model. The input-output framework connects commodity supply from one industry to commodity demand by another. The multipliers estimated using this approach capture all of the upstream economic activity (or backward linkages) related to an industry's production by attaching technical coefficients to expenditures. These output coefficients (dollars of demand) are then translated into dollars of value added and labor income and number of employees based on industry averages.
[9] High-level estimate assumes the midpoint of the credit (18.75%), implying that the employer paid 75% of the employee's wages while on leave.
[10] 77% of employers are assumed to provide employer contributions (see https://www.ici.org/system/files/2023-09/23-rpt-dcplan-profile-401k.pdf).
[11] While employment is generally measured as headcount, direct WOTC employment was converted to full-time equivalent jobs. This is because an average WOTC employee only works roughly one-third of the hours of a full-time employee (see EY, *Economic activity supported by the Improve and Enhance the Work Opportunity Tax Credit Act, 2025.*)
[12] The employee compensation threshold is adjusted annually for inflation.
[13] The credit for paid family leave was estimated as an industry employment and employee compensation impact. The credit for paid family leave is granted as a percentage of wages paid to the employee on leave. The share can range from 12.5% to 25%. Using the midpoint (18.75%) of these two parameters, an aggregate $24.5 million in wages were required to generate the estimated $4.5 million credit ($25.6 million and $4.8 million in 2025 dollars, respectively). The

wages supported by the credit were apportioned to 2-digit NAICS industries based on the distribution of 501(c)(3) employee compensation. Employee compensation is the sum of wages and salaries and benefits. Wages and salaries are imputed from BLS and Census SUSB estimates of the economic activity of nonprofits by industry and size. The value of benefits are sourced from BLS' tables of employer costs for employee compensation by industry and ownership. It is assumed that benefits as a share of wages for nonprofits are the same as private industry workers. Employment is imputed as the number of workers earning the average employee compensation required to earn the industry-apportioned employee compensation.

[14] Technically, the credit for small employer pension plan start-up costs, employer contributions and automatic enrollment is comprised of three distinct components: the credit for small employer pension plan start-up costs, contributions and automatic enrollment (45E), the small employer pension plan employer contribution credit (45E), and the credit for small employer automatic enrollment add-on (45T).

[15] The credit for small employer pension plan start-up costs was calculated as (the number of 501(c)(3) organizations with under 50 and under 100 employees) x (the share without access to a retirement plan) x (the credit calculation) x (the share of small for-profit companies without a plan that create a defined contribution (DC) plan each year) x (a take-up rate). For organizations with 50 or fewer employees, the credit is calculated as 100% of start-up costs capped at the greater of $500 or the lesser of $5,000 and $250 per eligible employee. For organizations with 51-100 employees, the credit is calculated as 50% of start-up costs capped at the greater of $500 or the lesser of $5,000 and $250 per eligible employee. The share of organizations without access to a retirement plan was sourced from the BLS National Compensation Survey (NCS) for 2023, which reported that 51% of private industry workers in organizations with under 50 workers and 75% of workers in organizations with 50-100 workers had access to a retirement plan. It was assumed that nonprofits have access rates that are comparable to the universe of private industry workers (of which they are a component). Pension plan startup costs were assumed to be the same as the average of qualified start-up plan costs reported on form 8881 in 2021 ($10,824 per return). The estimate was scaled by (1) the share of small for-profit companies without a plan that create a DC plan each year and (2) the share of small for-profit companies newly adopting a plan that take the credit. Part (1) was estimated as the number of new DC plans at companies with under 100 employees added in 2021 divided by the number of for-profit companies with 5-100 employees that do not have a retirement plan. Firms with under 5 employees were excluded. Part (2) was estimated as the number of business tax returns (C corporations and pass-through businesses) claiming the credit divided by the average number of new DC plans enacted by companies with under 100 employees as reported on Form 5500 between 2021 and 2022. This was then scaled up to account for changes in the credit since 2021 (i.e., the year of the line-item data).

The small employer pension plan employer contribution credit was calculated as the (number of small 501(c)(3)s newly adding a DC plan) x (share of 501(c)(3)s that added a retirement plan taking the credit) x (the share making employer contributions) x (employees per organization with under 50 or 50-100 employees) x (per-participant credit). The number of small 501(c)(3)s newly adding a defined contribution retirement plan was calculated for the credit for small employer pension plan start-up costs and scaled by 5/3 to reflect that the contribution credit is available for five years while the credit from the IRS line-item estimates is available for three years. The share of new plans with employer contributions is sourced from a report by BrightScope and the Investment Company Institute that finds that 77% of plans with under 100 participants have employer contributions. The per-participant credit in year one is the lesser of $1,000 and the average annual contribution per employee. The average contribution per participant was calculated using Form 5500 data for 2022**.**

The small employer automatic enrollment credit is available to organizations with an existing DC plan and those implementing a new plan. The credit amount for new plans is estimated as ($500) x (the number of small 501(c)(3) organizations newly enacting a DC plan). The number of small 501(c)(3) organizations newly enacting a DC plan is the same as that calculated for the credit for small employer pension plan start-up costs. Take-up is assumed to be 100% since under Secure 2.0, autoenrollment becomes mandatory for newly created plans beginning in 2025. Note that a report from the Congressional Research Service (CRS) states that pension benefit data "provides no clear evidence that the credit has increased the share of small employers offering pension plans," indicating that the credit likely did not induce significant behavioral changes. Figures are rounded.

[16] The footprint of economic activity from the retirement plan credits was estimated as the startup costs paid to plan providers plus the annual fees paid to the financial service sector to manage the plan. It was estimated that the 2,213 501(c)(3) organizations newly creating a retirement plan would each pay the average of qualified start-up plan costs reported on form 8881 in 2021 ($10,824 per return). The amount paid in fees to plan providers was estimated using a report from BrightScope and the Investment Company Institute, which found that the average fees paid by small retirement plan (under $10 million in assets) totaled 1.1% of assets. Given that in the first five years of a retirement plan's existence, employer contributions comprise approximately 30% of assets, fees paid to service providers are about 0.3% of employer contributions (=1.1% x 30%). Employer contributions for 501(c)(3)s newly creating a retirement plan and taking a credit are estimated to total $98 million (for 501(c)(3)s with under 50 employees, this is calculated as: 3,689 (=2,213 x 5/3) new plans created by 501(c)(3)s x 77% making employer contributions x $3,139 average contribution sourced from Form 5500 data x average of 11 employees per 501(c)(3)).

[17] The disabled access credit is granted as 50% of expenditures incurred for expenses to provide access to individuals with disabilities. An aggregate $1.5 million in expenditures were required to generate the estimated $730,000 credit ($772,000 in 2025 dollars). It is assumed that 501(c)(3) organizations spend these funds specifically for construction-related items. As such, the economic activity supported by this credit was estimated using IMPLAN 528 code 51, construction of other new nonresidential structures.

[18] The Indian employment credit supports the compensation received by employees and is therefore estimated using a similar methodology as the credit for paid leave and WOTC but adjusted to reflect the unique attributes of the targeted population. The credit is granted as 20% of wage and health insurance costs. An aggregate $54 million in wages and health insurance costs is required to generate the credit. The impact was estimated as an industry employment and employee compensation impact. Wages required by the credit were apportioned to 2-digit NAICS industries based on the distribution of Native American nonprofit employee compensation for those living on reservations. Wages and salaries are imputed from Census' American Community Survey estimates of the median wage of nonprofit workers on reservations by industry. The value of benefits is sourced from BLS' tables of employer costs for employee compensation by industry and ownership. It is assumed that benefits as a share of wages for nonprofits are the same as private industry workers. Employment is imputed as the number of Native American workers living on reservations and working at nonprofit organizations x the credit take-up rate.

[19] The employer provided childcare credit is granted as 25% of expenditures incurred to acquire, construct, rehabilitate or expand property to be used for a qualified childcare facility and 10% of expenditures incurred to provide childcare resources and referrals to employees. Out of the total cost, an 85% was assumed to generate the expenditures and 15% was assumed to generate the referral costs. The expenditures were estimated using IMPLAN 528 code 50, construction of new commercial structures and the referrals were estimated using IMPLAN 528 code 476 for child day care services.

[20] Disadvantaged groups include: TANF recipients, qualified veterans, qualified ex-felons, designated community residents, vocational rehabilitation referrals, summer youth employees, SNAP recipients, SSI recipients, long-term TANF recipients, and qualified long-term unemployment recipients. https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit

[21] WOTC is scheduled to sunset at the end of 2025. It will be available to be claimed on wages of eligible workers that begin working before January 1, 2026.

[22] WOTC was estimated as an industry employment and employee compensation impact. Wages required by the credit were apportioned to 2-digit NAICS industries based on the distribution of 501(c)(3) employee compensation. Employee compensation is the sum of wages and salaries and benefits. It is assumed that the 49,818 501(c)(3) workers benefitting from WOTC earn an average wage of $10,160, for a total of $506 million. This is equivalent to 17,520 full-time equivalent workers (FTEs) earning an average wage of approximately $27,300. Aggregate wages were distributed to industries using BLS and Census SUSB estimates of the economic activity of 501(c)(3)s by industry and size. The value of benefits are sourced from BLS' tables of employer costs for employee compensation by industry and ownership. It is assumed that benefits as a share of wages for nonprofits are the same as private industry workers. Employment is imputed as the number of workers required to earn the average WOTC FTE wage given the aggregate value of employee compensation in each industry.