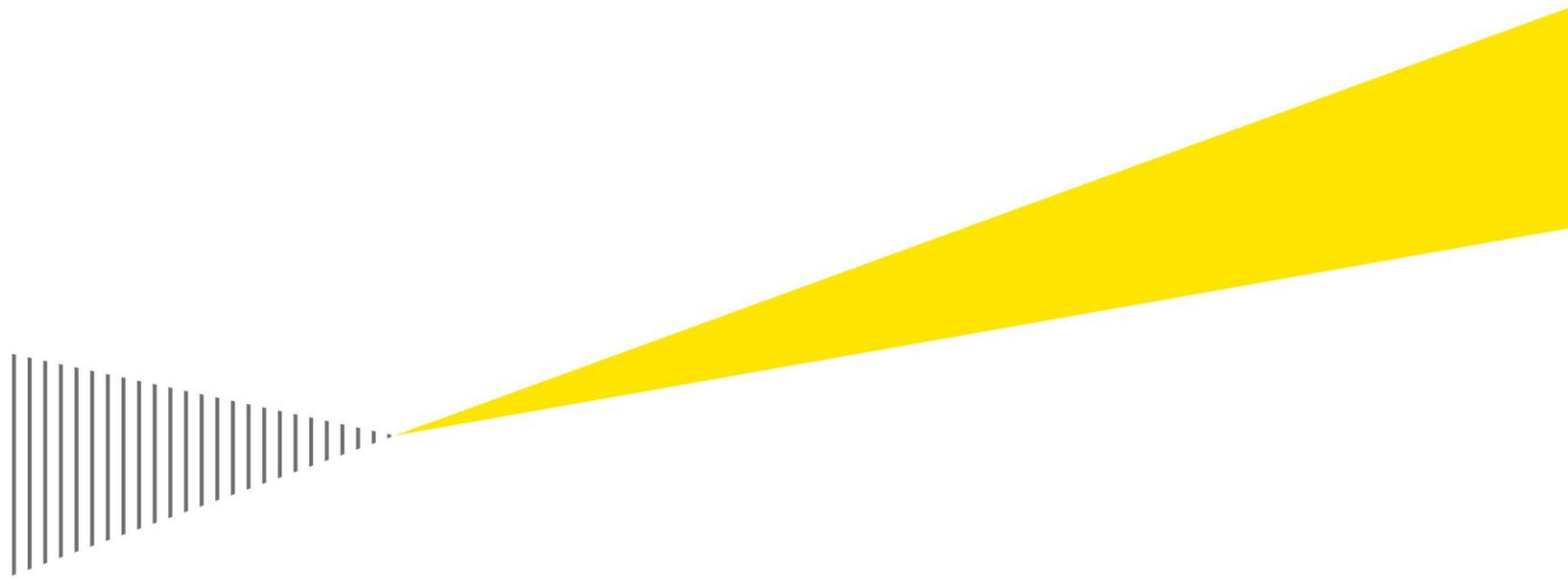
Economic activity supported by the Improve and Enhance the Work Opportunity Tax Credit Act

Prepared on behalf of Allegis Group

April 2025



Building a better working world

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Executive summary

First established in 1996, the Work Opportunity Tax Credit (WOTC) is a federal tax incentive designed to encourage employers to hire individuals from specific target groups that face barriers to employment. These groups include recipients of public assistance programs such as Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), and Supplemental Security Income (SSI), as well as long-term unemployed individuals, former felons, qualified veterans (including SNAP, unemployed and disabled veterans), and other designated groups. SNAP recipients are eligible for the WOTC credit if they have received SNAP benefits for either the past six months or for at least three of the five months leading up to their hiring date. Under WOTC, SNAP recipients must be between the ages of 18 and 39 to qualify for the credit.

The credit amount is calculated as a percentage of qualified wages paid to eligible employees, with the specific percentage varying based on the target group and the number of hours worked. Under current law, WOTC is scheduled to expire at the end of 2025.

The proposed Improve and Enhance the Work Opportunity Tax Credit Act (IEWOTC per S. 5377/H.R. 6833) would modify several aspects of WOTC. Specifically, it would increase the maximum eligible wages and credit percentages for certain target groups, based on hours worked. Additionally, IEWOTC would remove the age limit for SNAP recipients, extending WOTC eligibility to SNAP recipients aged 40 and older.

This report estimates the economic activity supported by:

1. WOTC extension
2. IEWOTC
3. WOTC extension and expansion

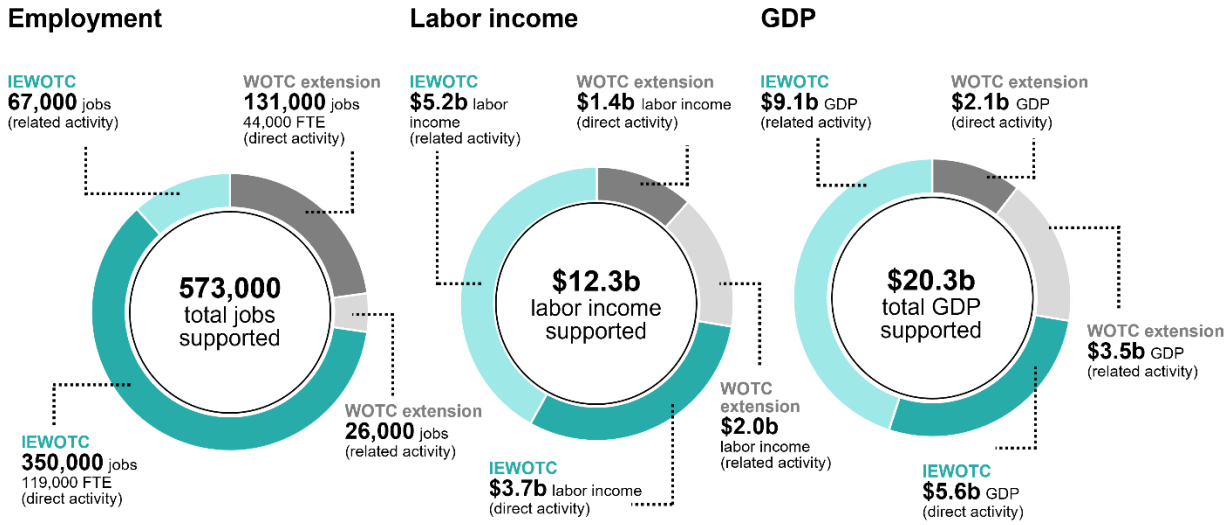
Over time, legislative action has broadened WOTC to include additional target groups. However, the maximum qualified wages used to calculate the credit have not been adjusted for inflation. As a result, the real (inflation-adjusted) value of the credit has declined over time. For instance, from 1997 to 2024, the Consumer Price Index for All Urban Consumers (CPI-U) rose by approximately 95%, meaning the tax benefit of the credit has effectively been cut in half.

Results

- **WOTC extension** is estimated to directly support 131,000 new jobs (44,000 full-time equivalent (FTE) workers), generating $1.4 billion in labor income and contributing $2.1 billion to the Gross Domestic Product (GDP). The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 156,000 workers earning $3.4 billion in labor income and generating $5.6 billion of GDP.
- **IEWOTC** is estimated to directly support 350,000 new jobs (119,000 FTE workers), generating $3.7 billion in labor income and contributing $5.6 billion to GDP. The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 417,000 workers earning $8.9 billion in labor income and generating $14.7 billion of GDP.

- **WOTC extension and expansion** is estimated to directly support 480,000 new jobs (163,000 FTE workers), generating $5.2 billion in labor income and contributing $7.7 billion to GDP. The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 573,000 workers earning $12.3 billion in labor income and generating $20.3 billion of GDP.

Figure ES-1: Annual economic activity supported by WOTC extension, IEWOTC, and WOTC extension and expansion, 2025



Note: Figures are rounded.

Dynamic revenue estimate for IEWOTC

Conventional Joint Committee on Taxation (JCT) revenue estimates incorporate a wide range of behavioral responses but assume the policy change does not impact the overall size of the economy, including the size of the workforce. That is, the revenue estimate is micro-dynamic but macro-static. Dynamic revenue estimates allow for the overall size of the economy to change. That is, they are micro-dynamic and macro-dynamic. This analysis also produces a dynamic revenue estimate for IEWOTC based on a macro-dynamic impact estimated using a general equilibrium model (described in Appendix C).

In the context of IEWOTC, the dynamic revenue estimate differs from the conventional revenue estimate in two key ways:

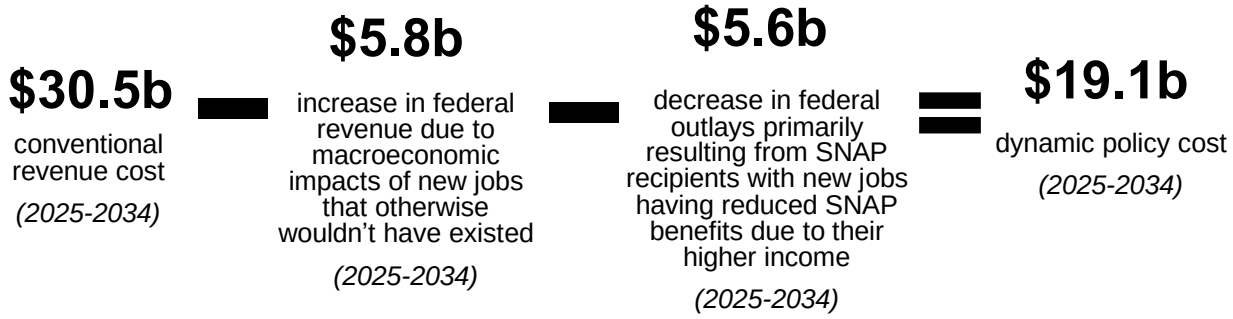
- **Increased federal tax revenue:** The dynamic revenue estimate accounts for increased economic activity driven by job creation, which in turn generates additional federal tax revenue and offsets part of the cost of expanding WOTC via IEWOTC.

- **Reduced federal outlays:** The dynamic revenue estimate considers how the new income of workers with new jobs impacts federal outlays. This impact is primarily from SNAP recipients with jobs that would not have existed if not for the IEWOTC expansion. As these individuals earn more, their SNAP benefits decrease and therefore federal outlays decrease.

As shown in Figure ES-2, the conventional revenue estimate for IEWOTC over the 10-year budget window (2025–2034) is $30.5 billion. Accounting for the estimated $5.8 billion in additional tax revenue from economic growth and the $5.6 billion reduction in federal outlays on assistance programs, the dynamic revenue estimate for the cost of IEWOTC is $19.1 billion.

Figure ES-2. Dynamic revenue estimate for IEWOTC, 2025-2034

Billions of dollars



Notes: Estimates relative to a baseline with permanent extension of the Work Opportunity Tax Credit (WOTC). Figures are rounded.

Contents

I. Introduction

First established in 1996, WOTC is a federal tax incentive designed to encourage employers to hire individuals from specific target groups that face barriers to employment.[1] These groups include recipients of public assistance programs such as TANF, SNAP, and SSI, as well as long-term unemployed individuals, former felons, qualified veterans (including SNAP, unemployed and disabled veterans), and other designated groups. The credit amount is calculated as a percentage of qualified wages paid to eligible employees, with the specific percentage varying based on the target group and the number of hours worked. Under current law, WOTC is scheduled to expire at the end of 2025.

In fiscal year 2024, nearly 1.6 million WOTC certifications were issued.[2] The certification process verifies whether an individual belongs to a target group eligible for the credit but does not guarantee that a WOTC credit will be claimed.[3] For instance, a certified employee may not qualify if they fail to meet the minimum hours worked requirement. Additionally, the credit can only be claimed once per employee by an employer.[4]

The proposed IEWOTC would modify several aspects of WOTC as proposed in S. 5377/H.R. 6833. Specifically, it would increase the maximum eligible wages and credit percentages for certain target groups, based on hours worked and for working for longer periods. Additionally, IEWOTC would expand WOTC eligibility to SNAP recipients aged 40 and older. A detailed summary of the proposed changes under IEWOTC is provided in the following subsections.

This report estimates the economic activity supported by:

1. **WOTC extension**: The economic activity supported by a standalone extension of WOTC, which sunsets at the end of 2025.
2. **IEWOTC**: The incremental economic activity supported by the proposed expansion to WOTC under IEWOTC.
3. **WOTC extension and expansion**: The total economic activity supported by WOTC when extended and expanded through IEWOTC.

For each of the above, this report estimates:

- **Direct economic activity:** New employment, employee compensation, and GDP supported at businesses that directly benefit from the credit.
- **Related economic activity:** Economic activity supported through supply chain purchases and related consumer spending by newly employed workers.[5]

Additionally, this analysis provides a dynamic revenue estimate for IEWOTC. Unlike conventional revenue estimates, a dynamic revenue estimate incorporates both micro-dynamic and macro-dynamic effects. It accounts for broader economic impacts, recognizing that increased employment can drive additional tax revenue and offset part of the revenue cost.[6] The dynamic revenue estimate also considers how the increased income of workers with new jobs impacts federal outlays. For instance, as SNAP recipients gain new jobs that would not have existed

without the IEWOTC expansion, their incomes rise, leading to a reduction in SNAP benefits and lowering overall policy costs further.

Over time, legislative action has broadened WOTC to include additional target groups.[7] However, the maximum qualified wages used to calculate the credit have not been adjusted for inflation. As a result, the real (inflation-adjusted) value of the credit has declined over time. For instance, from 1997 to 2024, the CPI-U rose by approximately 95%, meaning the tax benefit of the credit has effectively been cut in half. [8]

Work Opportunity Tax Credit

WOTC is calculated as a percentage of an eligible employee's first-year wages for most target groups.[9] This percentage depends on the number of hours worked by the employee in their first year:

- Employees who work fewer than 120 hours do not qualify for the credit.
- 25% credit for employees who work at least 120 hours but fewer than 400 hours in their first year of employment.
- 40% credit for employees who work 400 hours or more in their first year of employment.

For example, if a TANF recipient works 250 hours in their first year and earns $3,000, they qualify for a 25% credit. The WOTC credit is calculated as: $3,000 x 25% = $750.

The maximum credit is determined by multiplying the maximum qualified wages (varies by target group) by the applicable credit percentage based on the number of hours worked by the employee. Wages used to calculate WOTC generally cannot be used to calculate other wage-based credits, which may reduce the value of the credit to the employer.[10]

Table 1 summarizes the maximum qualified wages, and maximum credit amount available by target group under current policy.

Table 1. WOTC maximum qualified wages and credit amount, by target group

Target group	Maximum qualified wages	Maximum credit amount (120-399 hours)	Maximum credit amount (400+ hours)
TANF recipient	$6,000	$1,500	$2,400
SNAP recipient (ages 18-39)	$6,000	$1,500	$2,400
Ex-felon	$6,000	$1,500	$2,400
Long-term unemployed	$6,000	$1,500	$2,400
Designated community resident	$6,000	$1,500	$2,400
Vocational rehabilitation referral	$6,000	$1,500	$2,400
SSI recipient	$6,000	$1,500	$2,400
Summer youth employee	$3,000	$750	$1,200
Veteran SNAP recipient	$6,000	$1,500	$2,400
Disabled veteran (hired 1 year after service)	$12,000	$3,000	$4,800
Unemployed veteran (at least 4 weeks)	$6,000	$1,500	$2,400
Unemployed veteran (at least 6 months)	$14,000	$3,500	$5,600
Unemployed and disabled veteran (at least 6 months)	$24,000	$6,000	$9,600

Note: Long-term TANF recipients have a unique calculation where their total credit is calculated over their qualified wages for the first two years. WOTC can only be claimed on an employee's first-year wages except for long-term TANF recipients, for whom the employer may claim the credit for their first- and second-year wages.

Improve and Enhance the Work Opportunity Tax Credit Act

The changes proposed by IEWOTC are:

- **Expanded eligibility:** This proposed change removes the age limit for SNAP recipients, extending WOTC eligibility to SNAP recipients aged 40 and older.
- **Increased credit percentage:** Under IEWOTC, the credit percentage for most target groups is increased from 40% to 50% for individuals that work at least 400 hours. For employees working at least 120 hours but fewer than 400 hours, the credit percentage (25%) is unchanged.
- **Increased maximum eligible wages:** IEWOTC raises the maximum amount of qualified wages for most target groups. For most target groups, the proposal doubles the maximum amount of qualified first-year wages ($12,000). For employees working at least 120 hours but fewer than 400 hours, the maximum qualified wage amount ($6,000) is unchanged.

Note that the credit percentage and maximum qualified wages for long-term TANF recipients and summer youth employees remain unchanged under IEWOTC.

Table 2 summarizes the maximum qualified wages and credit amount available by target group under IEWOTC.

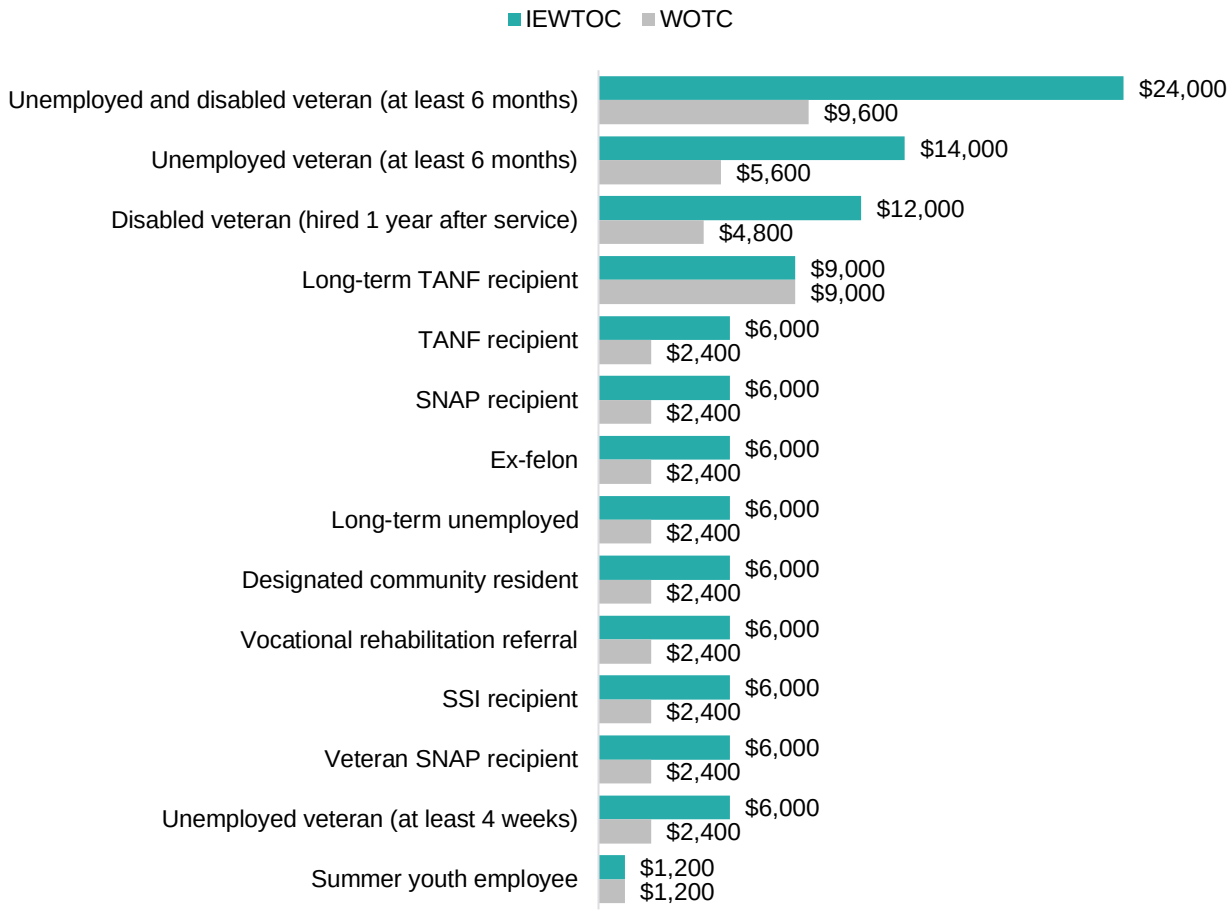
Table 2. IEWOTC maximum qualified wages and credit amount, by target group

Target group	Maximum qualified wages (120-399 hours)	Maximum credit amount (120-399 hours)	Maximum qualified wages (400+ hours)	Maximum credit amount (400+ hours)
TANF recipient	$6,000	$1,500	$12,000	$6,000
SNAP recipient	$6,000	$1,500	$12,000	$6,000
Ex-felon	$6,000	$1,500	$12,000	$6,000
Long-term unemployed	$6,000	$1,500	$12,000	$6,000
Designated community resident	$6,000	$1,500	$12,000	$6,000
Vocational rehabilitation referral	$6,000	$1,500	$12,000	$6,000
SSI recipient	$6,000	$1,500	$12,000	$6,000
Summer youth employee	$3,000	$750	$3,000	$1,200
Veteran SNAP recipient	$6,000	$1,500	$12,000	$6,000
Disabled veteran (hired 1 year after service)	$12,000	$3,000	$24,000	$12,000
Unemployed veteran (at least 4 weeks)	$6,000	$1,500	$12,000	$6,000
Unemployed veteran (at least 6 months)	$14,000	$3,500	$28,000	$14,000
Unemployed and disabled veteran (at least 6 months)	$24,000	$6,000	$48,000	$24,000

Note: Long-term TANF recipients have a unique calculation where their total credit is calculated over their qualified wages for the first two years. WOTC can only be claimed on an employee's first-year wages except for long-term TANF recipients, for whom the employer may claim the credit for their first- and second-year wages.

Figure 1 displays the maximum credit amounts for individuals who work at least 400 hours under WOTC and IEWOTC. The maximum credit amount more than doubles for most target groups under IEWOTC, except for long-term TANF recipients and summer youth employees, which remain unchanged.

Figure 1. Maximum credit amount, by target group



II. Key characteristics of WOTC

I. **WOTC is flexible in scope and allows varied employers and employees to qualify.** Unlike many other hiring incentives, WOTC is not limited to a specific geography or a specific industry. WOTC is broad in scope, enabling a diverse range of employers to participate and provide employment opportunities to eligible workers.

II. **WOTC is available for hiring employees at varying levels of skill and experience.** Employers can participate in the program for a broad range of employees. Employees eligible to generate a credit range from summer youth hires and inexperienced hires in service industries to experienced hires in specialized industries.

III. **WOTC is a direct-to-employer incentive that is realized soon after the hiring decision.** Due to automation applied by most State Workforce Agencies, employers generally receive a decision on employee qualification within an average of three to four months after having submitted a request for certification. A taxpayer can thereby receive an immediate benefit on their next quarterly estimated payment to the Internal Revenue Service (IRS) by accounting for the credit. WOTC offers a more expedited approach than programs that require curriculum development and deployment, have long lead times for approval to participate, or require preapproval prior to onboarding the new hire.

IV. **The human and technological resources to support WOTC are in place and operating across states.** There is a robust national infrastructure in place supporting WOTC. This includes the Internal Revenue Code provisions enacting the credit, as well as State Workforce Agencies with trained individuals who apply the rules and requirements to evaluate requests for certification under established processes, using well-established forms and modernized technological systems developed in recent years as State Workforce Agencies have improved efficiencies under the guidance of the US Department of Labor (DOL).

V. **WOTC increases employment in target groups by incentivizing employers to hire these individuals.** This reduces reliance on public assistance programs. Additionally, for fiscal year 2024, Congress allocated $18.5 million to administer WOTC, with nearly 1.6 million certifications issued at an administrative cost to the federal government of $11.73 per certification.[11]

VI. **WOTC has a flexible structure that allows Congress to adapt the credit in response to changing labor market conditions.** For example, after Hurricane Katrina (2005), Congress quickly added a temporary target group to aid disaster-affected workers. More recently, the Long-Term Unemployment target group (2015) was introduced to address challenges following the Great Recession.[12] This adaptability can make WOTC a useful tool for addressing employment barriers in real time.

VII. **WOTC provides a larger credit for employees who meet certain work hour thresholds.** For most target groups, the credit equals 25% of qualified first-year wages if the employee works at least 120 hours but less than 400 hours, and 40% if the employee works 400 hours or more. This structure may incentivize employers to retain eligible

employees longer. Additionally, for long-term TANF recipients, the credit extends to the second year.

VIII. **Some research suggests that WOTC does not result in churning employees.** Churning refers to the practice of terminating WOTC-eligible employees after the credit period ends, in order to hire new qualifying workers and claim additional credits. A 2001 report by the US Government Accountability Office (GAO) found limited evidence of this practice, based on employer surveys and available data at the time.[13]

IX. **WOTC complements SNAP work requirements.** SNAP has two sets of work requirements: general requirements and additional Able-Bodied Adults Without Dependents (ABAWD) requirements for adults without dependents. While the specific activities vary, both aim to encourage work and participation in employment programs.[14]

Compared to grant, training, and other incentive programs, WOTC can be an effective tool for increasing hiring rates among economically disadvantaged individuals. A more detailed comparison can be found in Appendix A.

III. Impact of WOTC on employment

WOTC and its proposed expansion under IEWOTC may affect employer hiring decisions and employment in three ways:

1. **Net new job creation:** WOTC and IEWOTC lower the after-tax cost of hiring workers from certain target groups by providing a tax credit to employers. This financial incentive encourages employers to expand their workforce beyond what they would have otherwise, potentially leading to a net increase in employment. New job creation could increase labor force participation rates.

2. **Hiring that would have occurred anyway:** Some employees eligible for WOTC would have been hired regardless of the tax credit. In these cases, WOTC subsidizes hiring that would have occurred anyway, meaning it does not result in net new job creation.

3. **Substitution effect:** Employers may shift their hiring preferences toward WOTC- and IEWOTC-eligible workers to maximize tax benefits, potentially displacing ineligible workers. This changes the workforce composition rather than expanding total employment.

A review of the existing academic literature suggests that the primary effects of WOTC are incentivizing new job creation and subsidizing hiring that would have occurred anyway. Research has found little evidence to support a significant substitution effect where eligible workers are hired in place of ineligible workers.

This analysis relies on three peer-reviewed academic studies:

1) Did the Work Opportunity Tax Credit Cause Subsidized Worker Substitution? (Ajilore 2012).[15] This paper found that WOTC increased employment rates among eligible groups by 12.6 percentage points. While the rise in employment could theoretically stem from either net new job creation for WOTC-eligible workers or substitution with WOTC-ineligible workers, the paper found no evidence of worker substitution, suggesting that the credit led to net new jobs.

2) The Effects of Hiring Tax Credits on Employment of Disabled Veterans. (Heaton 2012).[16] This paper examined the 2007 expansion of WOTC to include a new eligible target group for disabled veterans who have been unemployed for over six months. The study found that WOTC resulted in a statistically significant increase of approximately 2 percentage points in employment rates among this group, further supporting the credit's positive employment effect.

3) The Effects of an Employer Subsidy on Employment Outcomes: A Study of the Work Opportunity and Welfare-to-Work Tax Credits. (Hamersma 2008).[17] This paper estimated that WOTC eligibility is associated with a 5.9 percentage-point increase in the likelihood of being employed in the first two quarters after becoming eligible for the credit. While the study raises questions about the long-term employment gains, it reinforces the short-term effectiveness of WOTC in increasing employment among eligible individuals.

Collectively, these papers suggest that up to 37% of the cost of WOTC supports jobs that would not have been created otherwise.[18] Based on the estimates in the academic literature, this analysis assumes that 13.7% of WOTC costs contribute to jobs that would not have existed without the credit, based on an average of estimates implied by the above-mentioned studies.

IV. Economic activity supported

This analysis provides a snapshot of the economic activity supported at businesses directly benefiting from WOTC extension, IEWOTC, and WOTC extension and expansion, as well as the economic activity connected to this directly supported economic activity (i.e., related supply chain activity and consumer spending). Results are presented for employment, labor income, and GDP.

- **Employment:** Employment is measured as the total headcount of workers. For example, a company with three full-time workers and a company with two full-time workers and one part-time worker would both be measured as having three workers. For direct jobs, FTE estimates are also provided.
- **Labor income**: Labor income includes employee compensation (wages and benefits) and proprietor income.[19]
- **GDP:** GDP measures the production of all final goods and services produced in the United States.

The total economic activity supported by WOTC extension, IEWOTC, and WOTC extension and expansion is measured as the sum of the direct effect, supply chain effect, and related consumer spending effect:

- The **direct effect** is the economic activity supported at businesses where tax liability decreases as a result of the credit.
- The **supply chain effect** is the economic activity supported at suppliers of goods and services for the economic activity supported at businesses benefitting from the credit. 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 employee compensation is supported at business benefitting from the credit and their 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.

Methodology

The economic activity supported by the tax credit is estimated as follows:

Estimate direct economic activity supported by WOTC extension

This analysis constructed a model using employee-level data to represent all WOTC certifications in the United States. The data used to build this model was sourced from EY's internal records of WOTC filings, covering the period from 2018 to 2023. Specifically, the data reflected instances where EY assisted clients across the United States in filing certifications and claiming WOTC. EY's internal records were used as model inputs for the purpose of calculating average wages, hours worked, total jobs, full-time equivalents, and industry distribution among WOTC recipients

because this level of detail is not publicly available by target group. EY's internal records represent 10% of all certifications from 2018 to 2023.

Recognizing that EY's internal data represent only a subset of total WOTC filings nationwide, a weighting methodology was applied to scale the sample data to reflect the entirety of WOTC certifications across the United States. The weights were derived using two primary data sources:

1) **DOL's WOTC performance reports**, which provide historical data on the number of certifications by target group.[20]

2) **The JCT revenue estimate released March 17, 2025**, for an extension of WOTC and an extension and expansion of WOTC.[21]

Estimates from peer-reviewed research (discussed in Section III) were then used to estimate the net new jobs created by WOTC extension and expansion. The employee-level model includes information on employee compensation, which is used as an input to estimate the total economic activity of an extension and expansion of WOTC. Other characteristics (e.g., supply chain purchases associated with each net new worker) were estimated based on the industry of each net new job sourced from EY's internal data.

Finally, the Impacts for Planning (IMPLAN) input-output model of the US economy was used to estimate the supply chain effect and related consumer spending effect using inputs from the scaled employee-level model and estimates of net new jobs. All estimates are relative to the size of the US economy in 2025. See Appendix B for more information on the IMPLAN input-output model of the US economy.

Results

Economic activity supported by WOTC extension

As displayed in Table 3, WOTC extension is estimated to support 131,000 direct workers (44,000 FTE workers), generating $1.4 billion in labor income and contributing $2.1 billion to GDP. The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 156,000 workers earning $3.4 billion in labor income and generating $5.6 billion of GDP.

Table 3. Annual economic activity supported by, and related to, WOTC extension, 2025
Billions of dollars

	Directly supported economic activity	Related supplier activity	Related consumer spending	Total
Employment	131,000	10,000	15,000	156,000
Labor income	$1.4	$0.9	$1.0	$3.4
GDP	$2.1	$1.6	$1.9	$5.6

Note: Directly supported employment is 44,000 FTE workers. Figures are rounded.
Source: EY analysis.

Incremental economic activity supported by IEWOTC

As displayed in Table 4, IEWOTC is estimated to support 350,000 direct workers (119,000 FTE workers), generating $3.7 billion in labor income and contributing $5.6 billion to GDP. The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 417,000 workers earning $8.9 billion in labor income and generating $14.7 billion of GDP.

Table 4. Annual incremental economic activity supported by, and related to, IEWOTC, 2025
Billions of dollars

	Directly supported economic activity	Related supplier activity	Related consumer spending	Total
Employment	350,000	27,000	40,000	417,000
Labor income	$3.7	$2.4	$2.7	$8.9
GDP	$5.6	$4.2	$4.9	$14.7

Note: Directly supported employment is 119,000 FTE workers. Figures are rounded.
Source: EY analysis.

Economic activity supported by WOTC extension and expansion

As displayed in Table 5, WOTC extension and expansion is estimated to support 480,000 direct workers (163,000 FTE workers), generating $5.2 billion in labor income and contributing $7.7 billion to GDP. The total economic activity supported in 2025, which also includes the related supplier and consumer spending activity, is estimated to be 573,000 workers earning $12.3 billion in labor income and generating $20.3 billion of GDP.

Table 5. Annual economic activity supported by, and related to, WOTC extension and expansion, 2025

Billions of dollars

	Directly supported economic activity	Related supplier activity	Related consumer spending	Total
Employment	480,000	38,000	55,000	573,000
Labor income	$5.2	$3.4	$3.8	$12.3
GDP	$7.7	$5.9	$6.8	$20.3

Note: Directly supported employment is 163,000 FTE workers. Figures are rounded.
Source: EY analysis.

V. Dynamic revenue estimate

Conventional JCT revenue estimates incorporate a wide range of behavioral responses but assume the policy change does not impact the overall size of the economy. That is, the revenue estimate is micro-dynamic but macro-static. Dynamic revenue estimates allow for the overall size of the economy to change. That is, they are micro-dynamic and macro-dynamic.

In the context of WOTC, the dynamic revenue estimate differs from the conventional revenue estimate in two key ways:

- **Increased federal tax revenue.** The dynamic revenue estimate accounts for increased economic activity driven by job creation, which in turn generates additional federal tax revenue and offsets part of the cost of expanding WOTC via IEWOTC.
- **Reduced federal outlays.** The dynamic revenue estimate considers how the new income of workers with new jobs impacts federal outlays. This impact is primarily from SNAP recipients with jobs that would not have existed if not for the IEWOTC expansion. As these individuals earn more, their need for SNAP benefits decreases and therefore federal outlays decrease. SNAP recipients are eligible for the WOTC credit if they have received SNAP benefits for either the past six months or for at least three of the five months leading up to their hiring date. Under WOTC, SNAP recipients must be between the ages of 18 and 39 to qualify for the credit. IEWOTC removes this age restriction, extending eligibility to SNAP recipients aged 40 and older.

As shown in Table 6, the JCT conventional revenue estimate, published on March 17, 2025, projects the 10-year cost of WOTC extension and WOTC extension with expansion from 2025 to 2034 at $9.1 billion and $39.6 billion, respectively. This indicates that the incremental cost of the IEWOTC proposal is $30.5 billion ($39.6 billion minus $9.1 billion).

Table 6. JCT conventional revenue estimate for WOTC extension and WOTC extension and expansion
Billions of dollars

	2025 - 2034
Baseline revenue estimate for WOTC extension	$9.1
Revenue estimate for WOTC extension and expansion (WOTC + IEWOTC)	$39.6
Revenue impact of IEWOTC: (WOTC + IEWOTC) less WOTC extension	$30.5

Note: The JCT estimate covers 11 years (2025-2035). The estimates displayed in this table were calculated using the annual revenue estimates for 10 years (2025-2034).

Increased federal tax revenue

The expansion of WOTC to IEWOTC increases the credit available to employers, providing a stronger financial incentive to hire more WOTC-eligible employees than they otherwise would have. These newly employed WOTC-eligible individuals earn wages, boosting their purchasing power and driving consumer spending. As businesses respond to increased demand, they expand operations, generating additional jobs and stimulating broader economic growth. As a result, federal tax revenue increases.

This analysis estimates this increase in federal tax revenue using the EY Macroeconomic Model, an overlapping generations computable general equilibrium (CGE) model. This model is comparable to some used by the Congressional Budget Office (CBO), JCT, and US Department of Treasury to analyze changes in tax policy.

The EY Macroeconomic Model includes a detailed modeling of industries and inter-industry linkages. Businesses choose the optimal mix of capital and labor based on relative prices and industry-specific characteristics. Each industry has a different relative size of capital, labor, and intermediate inputs associated with its output.

The model is designed to include key economic decisions of businesses and households affected by tax policy, as well as major features of the US economy. The after-tax returns from work and savings are incorporated into business and household decisions on how much to produce, save, and work. A description of the EY Macroeconomic Model and the estimated macroeconomic impacts of IEWOTC from the EY Macroeconomic Model can be found in Appendix C.

Because tax and spending policies must ultimately be funded (e.g., tax cuts must ultimately be paid for), it is not possible to separate entirely the impact of a given tax decrease from the impact of how it is funded. Revenue reductions in this analysis must eventually be paid for in some way and how the revenue reduction is paid for can affect the estimated impacts. Typical sources of funding in analyses like this have included temporary deficit increases, government spending or transfer decreases, tax increases, or a combination thereof. This analysis assumes that the revenue reduction is funded by a decrease in government transfers, a standard assumption for macroeconomic analysis of tax changes.[22] Government transfer programs are assumed not to boost private sector productivity or private sector output but could have other policy objectives (e.g., redistribution).

Reduced federal outlays

WOTC incentivizes businesses to hire individuals from specific target groups that face significant barriers to employment. As a result, these individuals gain employment (or additional employment), which can lead to an increase in their income. Many federal assistance programs' eligibility criteria, such as SNAP, are income-based. As a household's income rises, this could lead to a reduction or loss of these benefits.

This analysis estimates that IEWOTC will create 350,000 new WOTC-eligible jobs (119,000 FTE workers; see Section IV), with roughly 85% of those jobs held by individuals receiving SNAP benefits.[23] For households receiving SNAP where a member of the household has a newly created WOTC-eligible job, SNAP benefit outlays are estimated to decrease by $165 per household per month, on average.

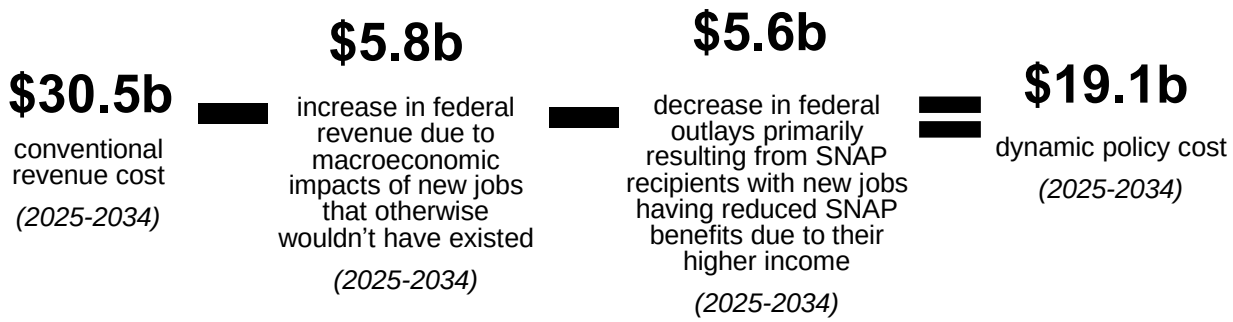
Specifically, to estimate the impact of changes in earned income on SNAP benefits, this analysis conducted a sensitivity analysis, modeling various increments of earned income pre-WOTC expansion and post-WOTC expansion.[24] This approach captures how different combinations of income and deductions influence the benefits a household receives per month, on average. In this framework, depending on what the pre-WOTC expansion income is for a household, some households can lose their eligibility for SNAP after their earned income increases.

Results

As shown in Figure 2, the conventional revenue estimate for IEWOTC over the 10-year budget window (2025–2034) is $30.5 billion. Accounting for the estimated $5.8 billion in additional tax revenue from economic growth and the $5.6 billion reduction in federal outlays on assistance programs, the dynamic revenue estimate for the cost of IEWOTC is $19.1 billion.

Figure 2. Dynamic revenue estimate for IEWOTC, 2025-2034

Billions of dollars



Notes: Estimates relative to a baseline with permanent extension of the Work Opportunity Tax Credit (WOTC). Figures are rounded.

VI. 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:

- **Estimates are limited by available public information**. The analysis relies on information reported by federal government agencies (primarily the JCT, DOL, US Census Bureau, US Bureau of Economic Analysis, US Bureau of Labor Statistics, and US Department of Agriculture), and other publicly available sources (i.e., IMPLAN model). The analysis did not attempt to verify or validate this information using sources other than those described in the report.

- **The exact impact of WOTC on net new job creation is uncertain, with academic estimates varying in their estimates.** While some studies find that WOTC leads to meaningful employment gains among eligible groups, a significant share of the cost may stem from subsidizing hires that would have occurred anyway. Research suggests that up to 37% of WOTC-supported jobs represent net new employment. Based on the estimates in the academic literature, this analysis assumes that roughly 13.7% of WOTC extension, WOTC expansion, and WOTC extension and expansion costs support jobs that would not have otherwise been created.

- **Macroeconomic estimates are sensitive to how a policy change is funded.** Because tax and spending policies must ultimately be funded (e.g., tax cuts must ultimately be paid for), it is not possible to separate entirely the impact of a given tax decrease from the impact of how it is funded. Revenue reductions in this analysis must eventually be paid for in some way and how the revenue reduction is paid for can affect the estimated impacts. Typical sources of funding in analyses like this have included temporary deficit increases, government spending or transfer decreases, tax increases, or a combination thereof. This analysis assumes that the revenue reduction is funded by a decrease in government transfers, a standard assumption for macroeconomic analysis of tax changes.[25] Government transfer programs are assumed not to boost private sector productivity or private sector output but could have other policy objectives (e.g., redistribution).

- **Full employment model.** The EY Macroeconomic Model, like many general equilibrium models, focuses on the longer-term incentive effects of policy changes. It also assumes that all resources throughout the economy are fully employed; that is, there is no slackness in the economy (i.e., a full employment assumption with no involuntary unemployment). Any increase in labor supply is a voluntary response to a change in income or the return to labor that makes households choose to substitute between consumption and leisure. To provide a high-level measure of the potential employment impacts, a job equivalents measure has been included in this analysis' results. Job equivalent impacts are defined as the change in total after-tax labor income divided by the baseline average after-tax labor income per job.

- **Estimated macroeconomic impacts limited by calibration.** The EY Macroeconomic Model is calibrated to represent the US economy and then forecast forward. However, because any particular year may reflect unique events and may not represent the economy in the future, no particular baseline year is completely generalizable.

- **Industries are assumed to be responsive to normal returns on investment.** The industries comprising the United States economy in the EY Macroeconomic Model are assumed to be responsive to the normal returns on investment. This contrasts to industries that earn economic profits and thereby have an increased sensitivity to statutory tax rates relative to marginal effective tax rates.

- **The economic activity supported estimates are a partial equilibrium analysis.** These estimates are the economic contribution or economic footprint of new jobs supported by WOTC and IEWOTC. By providing information on the overall scope of the economic activity supported, measured and defined in several different ways, this report attempts to shed light on the reach of WOTC and IEWOTC within the US economy. As compared to an economic impact analysis (which is used in the dynamic revenue estimate), in input-output modeling there is generally no consideration of what the economic activity being examined would otherwise be engaged in. Nor is there generally any consideration of whether the economic activity being examined is an efficient use of resources. There is also no fixed relationship between the results of an economic contribution analysis and an economic impact analysis; the relationship can change, for example, depending on the current unemployment and labor force participation rates. As such, an economic contribution analysis should not be confused with an economic impact analysis.[26]

- **Modeling the economic contribution of business activity supported by WOTC and IEWOTC relies on government industry classifications**. This report relates the activities of businesses supported by the WOTC and IEWOTC to the operating profiles of various industries as defined by the North American Industry Classification System (NAICS) to most effectively estimate the economic contribution of businesses supported by the deduction. The employee-level model includes information on employee compensation. Other characteristics (e.g., supply chain purchases associated with each net new worker) were estimated based on the industry of each net new job.

Appendix A. Grant, training, and other incentive programs for increasing hiring rates of economically disadvantaged individuals

Exhibit 1

Program Type	Scope	Infrastructure	Difficulty to Participate	Examples[1]
Workforce Innovation and Opportunity Act (WIOA)	These programs result in on-the-job (OJT) grants paid to the employer of an individual hired into a sector and position that is approved for inclusion in the program by the state Workforce Investment Board (WIB). WIBs implement industry or sector partnerships to develop a pipeline of skilled workers via work-based learning, on-the-job training and Registered Apprenticeships. Generally, the grants cover 50 to 75% of the new employee's wages for a limited time. An informal survey of OJT consultants suggests an average reimbursement of ~$7,500 per qualified employee.	The WIOA is supported by WIBs in each state and American Job Centers and their education and training partners. Business leaders, State and Local Workforce Development Boards, labor unions, community colleges, non-profit organizations, youth-serving organizations, and State and local officials all also participate in the process. Based on 2024 program performance 286,294 employees went through training. [2]	Although qualifying employees can fall into various disadvantaged or dislocated target groups (e.g., qualified veterans), this set of programs does not act as a hiring incentive. Instead, it supports a portion of the costs of training and/or the salary of individuals who participated in post-hire training programs. Approval processes vary from state-to-state and are localized. The process requires approval of the sector, job description, and new hire from the WIB, the employer must execute a contract with the WIB, and the employer must invoice the agency to receive the funds. There are also reporting requirements that vary from state-to-state.	The Wagner-Peyser Act Employment Service, the Job Corps, State Vocational Rehabilitation Services Programs, and State Supported Employment Services Programs, YouthBuild, Indian and Native American Program, the Reentry Employment Opportunities (REO) program, and Migrant and Seasonal Farmworker programs.
Other OJT Grants	These programs generally result in funding going into very specific sectors or to a specific list of occupations for the hiring and training of the economically disadvantaged.	Training programs like Job Corps have shown high costs per job generated, indicating that while they can provide valuable skills, they may not always lead to immediate employment outcomes.	Low participation rates and high turnover among participants. Success is heavily dependent on the alignment of training content with labor market demands. These programs are sometimes highly discretionary and approval to participate may be required from high-level officials (e.g., the Governor). These types of	DOL Workforce Grants

[1] Employers look to a variety programs, including other federal and state offerings, to support hiring and training. This overview includes the evaluation of a sample of such offerings in a limited group of states to serve as a representative offering, given their similarity to many programs offered throughout the country.
[2] *See* DOL, Employment and Training Administration, WIOA by the Numbers: Interactive Data Analysis Tool for 2023.

			programs often require significant lead times as a result (e.g., six months or longer).	
Incumbent Worker Training Grant Programs	These programs generally require the employer to identify a training need, approach the state for allocated funds, and then partner with a local community college to develop a curriculum to address the need. The funds go directly to the community college, and directly benefit the employee by focusing on skill development. Rewards neither retention nor hiring. Most frequently used to enhance the skill set of existing employees. The employee need not be disadvantaged to participate.	Infrastructure and funding vary widely from state to state and among participating institutions.	Programs are generally awarded to community colleges and other educational institutions. These grants are not a hiring incentive. Their focus is on increasing the skill level of the workforce. They usually reimburse non-OJT expenses like curriculum design. And only certain sectors qualify and are given a preference (e.g., manufacturing, technology, etc.).	Texas Skills Development Program administered by the Texas Workforce Agency in partnership with local community colleges.
State Hiring Credits	The state hiring credit programs generally offer credit to employers that hire individuals meeting specific criteria. Criteria can include age, military service, developmental and/or physical disabilities, status as an ex-felon, receipt of government benefits, among other characteristics. These credits vary widely generally ranging from $500 to $20,000 per eligible hire depending upon the state (e.g., New York Credit for Hiring Veterans is up to 20% of total wages paid to the veteran in the first 12-months of employment up to $20,000 maximum).	These programs generally require additional forms published by state Departments of Revenue, Offices of Workforce Development. and/or Departments of Labor. These programs sometimes require review to ensure eligibility of both the employer and employee.	The criteria that an individual must meet may be so specific that the program applies to a very small population. For example, Louisiana's WOTC for ex-felons only applies to ex-felons with a release date after January 2, 2021, who are in a work release program, working in a new job or an existing job that was vacant because the previous employee left voluntarily or was terminated.	Arizona Employment of National Guard Members, Arizona Hiring of Welfare Recipients, Louisiana WOTC for Ex-Felons, New York Workers with Disabilities Employment Tax Credit, South Carolina Job Development Credit for Veterans.
Other Employer Incentives	Some states offer sales tax rebates income tax credits, income tax withholding rebates,	Varies by state.	These incentives are meant as a net new job creation incentive for higher paying jobs. These must be pre-negotiated with	Texas Enterprise Zone, Quality Jobs Programs found in many states.

	and other incentives for employers creating new jobs.		jurisdictions. They are very different from a hiring incentive such as WOTC. Documenting compliance with the applicable program is often cumbersome.	

Appendix B. IMPLAN

This analysis uses a model built on employee-level data to represent all WOTC certifications in the United States and an input-output model of the US economy to estimate the economic contribution of WOTC extension, IEWOTC, and WOTC extension and expansion. Specifically, this analysis estimates the number of new jobs created and uses it, along with estimates for employee compensation informed by the employee-level model, as the direct effect of the policy. This change in direct employment and labor compensation is used to estimate the change in scale of affected industries and, accordingly, the associated change in direct GDP. The related supplier and consumer spending effects are then estimated through use of the IMPLAN model, which is described below.

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 affected by WOTC. Direct investment effects were used as an input to estimate the overall economic activity supported by IEWOTC. The 2023 data were grown to 2025-dollar values.

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.

Appendix C. EY Macroeconomic Model

The EY Macroeconomic Model used for this analysis is similar to some of those used by the CBO, JCT, and US Department of the Treasury.[27] In this model, changes in tax policy affect the incentives to work, save and invest, and to allocate capital and labor among competing uses. Representative individuals and firms incorporate the after-tax return from work, savings, and investment, into their decisions on how much to produce, save, and work.

The general equilibrium methodology accounts for changes in equilibrium prices in factor (i.e., capital and labor) and goods markets and simultaneously accounts for the behavioral responses of individuals and businesses to changes in taxation (or other policies). Behavioral changes are estimated in an overlapping generations (OLG) framework, whereby representative individuals with perfect foresight incorporate changes in current and future prices when deciding how much to consume and save in each period of their lives.

High-level description of model's structure

Production

Firm production is modeled with the constant elasticity of substitution (CES) functional form, in which firms choose the optimal level of capital and labor subject to the gross-of-tax cost of capital and gross-of-tax wage. The model includes industry-specific detail through use of differing costs of capital, factor intensities, and production function scale parameters. Such a specification accounts for differential use of capital and labor between industries as well as distortions in factor prices introduced by the tax system. The cost of capital measure models the extent to which the tax code discriminates by asset type, organizational form, and source of finance.

The industry detail included in this model corresponds approximately with three-digit NAICS codes and is calibrated to a stylized version of the US economy. Each of 36 industries has a corporate and pass-through sector except for owner-occupied housing and government production. Because industry outputs are typically a combination of value added (i.e., the capital and labor of an industry) and the finished production of other industries (i.e., intermediate inputs), each industry's output is modeled as a fixed proportion of an industry's value added and intermediate inputs to capture inter-industry linkages. These industry outputs are then bundled together into consumption goods that consumers purchase.

Consumption

Consumer behavior is modeled through use of an OLG framework that includes 55 generational cohorts (representing adults aged 21 to 75). Thus, in any one year, the model includes a representative individual optimizing lifetime consumption and savings decisions for each cohort aged 21 through 75 (i.e., 55 representative individuals) with perfect foresight. The model also distinguishes between two types of representative individuals: those that have access to capital markets (savers) and those that do not (non-savers or rule-of-thumb agents).

Non-savers and savers face different optimization problems over different time horizons. Each period non-savers must choose the amount of labor they supply and the amount of goods they consume. Savers face the same tradeoffs in a given period, but they must also balance

consumption today with the choice of investing in capital or bonds. The model assumes 50% of US households are permanently non-savers and 50% are permanently savers across all age cohorts.

The utility of representative individuals is modeled as a CES function, allocating a composite commodity consisting of consumption goods and leisure over their lifetimes. Representative individuals optimize their lifetime utility through their decisions of how much to consume, save, and work in each period subject to their preferences, access to capital markets, and the after-tax returns from work and savings in each period. Representative individuals respond to the after-tax return to labor, as well as their overall income levels, in determining how much to work and thereby earn income that is used to purchase consumption goods or to consume leisure by not working. In this model the endowment of human capital changes with age — growing early in life and declining later in life — following the estimate of Altig et al. (2001).[28]

Government

The model includes a simple characterization of both federal and state and local governments. Government spending is assumed to be used for either: (1) transfer payments to representative individuals, or (2) the provision of public goods. Transfer payments are assumed to be either Social Security payments or other transfer payments. Social Security payments are calculated in the model based on the 35 years in which a representative individual earns the most labor income. Other transfer payments are distributed on a per capita basis. Public goods are assumed to be provided by the government in fixed quantities through the purchase of industry outputs as specified in a Leontief function.

Government spending in the model can be financed by collecting taxes or borrowing. Borrowing, however, cannot continue indefinitely in this model. Eventually, the debt-to-GDP ratio must stabilize so that the government's fiscal policy is sustainable. The model allows government transfers, government provision of public goods, or government tax policy to be used to achieve a selected debt-to-GDP ratio after a selected number of years. This selected debt-to-GDP ratio could be, for example, the initial debt-to-GDP ratio or the debt-to-GDP ratio a selected number of years after policy enactment.

Modeling the United States as a large open economy

The model is an open economy model that includes both capital and trade flows between the United States and the rest of the world. International capital flows are modeled through the constant portfolio elasticity approach of Gravelle and Smetters (2006).[29] This approach assumes that international capital flows are responsive to the difference in after-tax rates of return in the United States and the rest of the world through a constant portfolio elasticity expression. Trade is modeled through use of the Armington assumption, wherein products made in the United States versus the rest of the world are imperfect substitutes.

Table C-1. Key model parameters

Intertemporal substitution elasticity	0.400
Intratemporal substitution elasticity	0.487
Leisure share of time endowment	0.309
International capital flow elasticity	3.000
Capital-labor substitution elasticity	1.000
Adjustment costs	2.000

Source: Key model parameters are generally from JCT, *Macroeconomic Analysis Of H.R. 7024, The "Tax Relief For American Families And Workers Act of 2024," As Ordered Reported By The Committee on Ways And Means, On January 19, 2024*, January 24, 2024 (JCX-6-24); JCT, *Macroeconomic Analysis of the Conference Agreement for H.R. 1, The 'Tax Cuts and Jobs Act,'* December 22, 2017 (JCX9-17); and Jane Gravelle and Kent Smetters, "Does the Open Economy Assumption Really Mean that Labor Bears the Burden of a Capital Income Tax?" *Advances in Economic Analysis and Policy,* 6(1) (2006): Article 3.

Table C-2. Macroeconomic impacts of IEWOTC for use in the dynamic revenue estimate

	First five years	Second five years	Long run
GDP	0.01%	0.01%	0.01%
Consumption	0.01%	0.01%	0.02%
Private investment	0.03%	0.03%	0.01%
After-tax wage rate	-0.01%	-0.01%	0.00%
Labor supply	0.02%	0.02%	0.01%
Private capital	*	*	*
GDP ($bil)	$3	$3	$4
Jobs (thou)	25	24	22

*Less than 0.005% in magnitude.
Note: Long run denotes when the economy has fully adjusted to policy change; generally, 2/3 to 3/4 of this adjustment occurs within 10 years. Macroeconomic impacts are modeled as a 0.015% increase in the effective labor endowment in the US economy. This 0.015% is estimated by comparing the new labor income of new jobs supported by IEWOTC to total labor income in the US economy grossed up for the leisure share of time endowment. Figures are rounded.
Source: EY analysis.

Endnotes

[1] See IRS, Work Opportunity Tax Credit, available at https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit
[2] See DOL, WOTC Certifications by Recipient Group, State and National Details for Fiscal Year 2024.
[3] See DOL, How to File a WOTC Certification Request.
[4] 26 U.S. Code § 51 – Amount of credit, see https://www.law.cornell.edu/uscode/text/26/51
[5] Formally, the amount of economic activity supported by WOTC and IEWOTC estimated in this report is a partial equilibrium analysis.
[6] For more information, see https://www.congress.gov/crs-product/R43381
[7] For example, the VOW to Hire Heroes Act of 2011 expanded WOTC to include several categories of qualified veterans. Earlier, the Tax Relief and Health Care Act of 2006 added long-term recipients of TANF as a distinct target group. Over time, various legislative measures have continued to broaden the scope of WOTC by introducing new eligible populations.
[8] This estimate is based on the CPI-U. Inflation estimates may vary depending on the specific index used. Additional analysis estimated that adjusting the credit amounts for inflation using the Chained Consumer Price Index for All Urban Consumers (C-CPI-U) with a base year of 2000 would increase the JCT revenue estimate for WOTC extension from $9.1 billion to $17.3 billion over the 2025-2034 budget window.
[9] 26 U.S. Code § 51 – Amont of credit, see https://www.law.cornell.edu/uscode/text/26/51
[10] An employer may be able to claim more than one wage-based credit for the same employee, provided that the same wages are not used to calculate each credit. For more information, see IRS, Work Opportunity Tax Credit, Frequently asked questions, available at https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit
[11] See DOL, Work Opportunity Tax Credit (WOTC) Initial Funding Allotments for Fiscal Year 2024 available at https://www.dol.gov/sites/dolgov/files/ETA/advisories/TEGL/2023/TEGL%2006-23%20Change%202/TEGL%2006-23%20Change%202.pdf and DOL, WOTC Certifications by Recipient Group, State and National Details for Fiscal Year 2024.
[12] See Pub. L. No. 109-73, 119 Stat. 2016 (2005) and Pub. L. No. 114-113, 129 Stat. 2242 (2015).
[13] See United States General Accounting Office. "Work Opportunity Tax Credit: Employers Do Not Appear to Dismiss Employees to Increase Tax Credits," March 13, 2001. https://www.gao.gov/assets/gao-01-329.pdf.
[14] See US Department of Agriculture, SNAP Work Requirements, available at https://www.fns.usda.gov/snap/work-requirements
[15] See Ajilore, Olugbenga. "Did the Work Opportunity Tax Credit Cause Subsidized Worker Substitution?" Economic Development Quarterly 26, no. 3 (August 2012): 231–37. https://doi.org/10.1177/0891242412453306.
[16] See Heaton, Paul. The Effects of Hiring Tax Credits on Employment of Disabled Veterans. RAND Corporation, 2012. https://doi.org/10.7249/OP366.
[17] See Hamersma, Sarah. "The Effects of an Employer Subsidy on Employment Outcomes: A Study of the Work Opportunity and Welfare-to-work Tax Credits." Journal of Policy Analysis and Management 27, no. 3 (June 2008): 498–520. https://doi.org/10.1002/pam.20354.
[18] WOTC supports employment growth primarily through new job creation and subsidizing hiring that would have occurred anyway, with no significant evidence of substitution. Specifically, these papers suggest that between 63% and 96% of the cost of WOTC go toward jobs that would have existed without the credit, while 4% to 37% support jobs that would not have been created otherwise.

Estimates for the percentage of WOTC costs allocated to jobs that would or would not have existed were derived by analyzing summary statistics and results from the studies reviewed. This involved calculating the number of new jobs created as a result of WOTC. For example, if a study's dataset included 100 WOTC-eligible employees, with 20 employed before WOTC and 25 employed after its implementation, the share of the credit supporting jobs that would not have existed without WOTC is calculated as: new jobs created / total jobs after WOTC = (25 – 20) / 25 = 20%.
[19] Proprietor income includes the payments received by self-employed individuals and unincorporated business owners. Jobs directly supported by WOTC do not have proprietor income but businesses in the indirect and induced economic contributions can.
[20] See DOL, WOTC Performance, https://www.dol.gov/agencies/eta/wotc/performance
[21] JCT, Revenue estimate of the Improve and Enhance the Work Opportunity Tax Credit Act, 03-17-2025.
[22] This is discussed, for example, in Congressional Research Service (CRS), "Dynamic Scoring for Tax Legislation: A Review of Models," 2023. For papers modeling a tax increase where changes in revenue are offset by changes in government spending (transfers or government consumption) see, for example, Rachel Moore and Brandon Pecoraro, "Quantitative analysis of a wealth tax for the United States: Exclusions and expenditures," Journal of Macroeconomics 78 (2023); Shinichi Nishiyama, "Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy

With an Aging Population," CBO, Working Paper 2013-07; and US Department of the Treasury, A Dynamic Analysis of Permanent Extension of the President's Tax Relief, 2006.

[23] This 85% is estimated via the modeled described in Section IV of the report.

[24] This analysis presents six cases to model the impact of new WOTC expansion income on SNAP benefits per household. The three WOTC expansion income increases are: $3,426 (25th percentile), $7,615 (50th percentile), and $15,999 (75th percentile). There are also two shelter cost scenarios: one with no housing costs and another with an average shelter cost of $964 per month, based on 2022 data adjusted for inflation. It is estimated that 20% of SNAP households have no housing costs. The combination of three income increases and two shelter scenarios creates six cases. Each case then includes up to 10 starting income levels (pre-WOTC expansion income level), increasing by $2,500 until surpassing the SNAP eligibility threshold. Each case and income level is weighted according to 2022 SNAP household data. For more details, see: Monkovic, M. (2024). *Characteristics of Supplemental Nutrition Assistance Program households: Fiscal Year 2022* (Report No. 12-3198-23-F-0016). US Department of Agriculture, Food and Nutrition Service, Office of Policy Support. fns-prod.azureedge.us/sites/default/files/resource-files/ops-snap-fy22-characteristics.pdf

For purposes of modeling, this analysis assumes that each household consists of two individuals, does not include an elderly or disabled member, and does not qualify for dependent care or homeless shelter deductions. This assumption is based on the USDA's FY 2022 SNAP household size averages, which reports a national average of 1.9 people per SNAP household. For more details, see: Monkovic, M. (2024). *Characteristics of Supplemental Nutrition Assistance Program households: Fiscal Year 2022* (Report No. 12-3198-23-F-0016). U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support. fns-prod.azureedge.us/sites/default/files/resource-files/ops-snap-fy22-characteristics.pdf

The main factors that determine whether a household is eligible for SNAP benefits include income, assets, and certain deductions.

1. Gross income must fall below specific limits set by the program, with different thresholds based on household size. The gross income limit is 130% of the federal poverty level.
    - Households with at least one elderly or disabled member have higher eligibility limits
    - Some states have expanded eligibility through Broad-Based Categorical Eligibility (BBCE), which raises the gross income threshold to up to 200% of the federal poverty line.
2. Household net income, which is calculated after applying various deductions, also determines eligibility. A household's net income must fall below the 100% of the poverty level for that household size.
    - Deductions include:
        - Standard deduction, ($204 for households with 1-3 people in most states)
        - A 20-percent deduction from earned income
        - Other deductions including shelter costs (up to a maximum of $712), medical expenses for elderly or disabled members, and dependent care expenses.
3. Assets also play a key role in eligibility; households are subject to asset limits, with the maximum allowable asset limit for households without elderly or disabled members set at $3,000, and $4,500 for those with elderly or disabled members. If a household exceeds these asset limits, they are disqualified from receiving benefits, regardless of income.

Once eligibility is established for a household in this model, the amount of SNAP benefits a household receives is primarily determined by the household's net income, calculated after deductions. The amount of SNAP benefits received is determined by subtracting the household's net income from the maximum allowable benefit based on household size. For example, in 2025, the maximum monthly allotment for a family of two is $536, but this amount is adjusted based on the various deductions. For each household, monthly SNAP benefits are calculated before and after the increase in earned income due to WOTC employment, and the difference is calculated. The final average reduction in SNAP benefits by household per month ($165) is the weighted average of reduction in SNAP benefits due to increased income across all households in the model.

[25] This is discussed, for example, in CRS, "Dynamic Scoring for Tax Legislation: A Review of Models," 2023. For papers modeling a tax increase where changes in revenue are offset by changes in government spending (transfers or government consumption) see, for example, Rachel Moore and Brandon Pecoraro, "Quantitative analysis of a wealth tax for the United States: Exclusions and expenditures," *Journal of Macroeconomics* 78 (2023); Shinichi Nishiyama, "Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy With an Aging Population," CBO, Working Paper 2013-07; and US Department of the Treasury, *A Dynamic Analysis of Permanent Extension of the President's Tax Relief*, 2006.

[26] A key point is that 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, an economic contribution analysis shows the gross amount of economic activity tied to an industry or sector directly, and through its suppliers and related consumer spending. The dynamic revenue estimate does include an economic impact analysis.

[27] For example, see: Shinichi Nishiyama, "Fiscal Policy Effects in a Heterogeneous-Agent Overlapping-Generations Economy With an Aging Population," CBO, Working Paper 2013-07, December 2013; JCT, *Macroeconomic Analysis of the 'Tax Reform Act of 2014,'* February 2014 (JCX-22-14); JCT, *Macroeconomic Analysis of Various Proposals to Provide $500 Billion in Tax Relief*, March 2005 (JCX-4-05); and, US Department of the Treasury, *The President's Advisory Panel on Federal Tax Reform, Simple, Fair, & Pro-Growth: Proposals to Fix America's Tax System*, November 2005.

[28] David Altig, Alan Auerbach, Laurence Koltikoff, Kent Smetters, and Jan Walliser, "Simulating Fundamental Tax Reform in the United States," *American Economic Review,* 91(3) (2001): 574-595.

[29] Jane Gravelle and Kent Smetters, "Does the Open Economy Assumption Really Mean That Labor Bears the Burden of a Capital Income Tax?" *Advances in Economic Analysis and Policy,* 6(1) (2006): 1-42.