

Non-Profits and the American Jobs Act

The American Jobs Act will help all Americans by creating jobs now, sparking economic growth, and providing relief to millions of American families.

And, the American Jobs Act recognizes that non-profit organizations are key to job creation. Roughly one-in-twelve workers in the United States is employed by a non-profit organization, and we believe non-profits should be given incentives to hire and grow just like other businesses.

That is why the American Jobs Act includes:

- *New Tax Cuts to All Businesses to Support Hiring:* The President is proposing tax cuts to provide immediate incentives to hire for which non-profit organizations would be eligible much like for-profit ones:
 - Cutting the Payroll Tax Cut in Half for the First \$5 Million in Wages: This provision would cut the payroll tax in half to 3.1% for employers on the first \$5 million in wages, providing broad tax relief to all businesses but targeting it to the 98 percent of firms with wages below this level.
 - Temporarily Eliminating Employer Payroll Taxes on Wages for New Workers or Raises for Existing Workers: The President is proposing a full holiday on the 6.2% payroll tax firms pay for any growth in their payroll up to \$50 million above the prior year, whether driven by new hires, increased wages or both. This is the kind of job creation measure that CBO has called the most effective of all tax cuts in supporting employment.
 - Tax Credits for Hiring the Long-Term Unemployed: The President is proposing a tax credit for hiring workers who have been looking for a job for over six months. For businesses in the non-profit sector, the credit is for up to \$2,600. Though this credit is lower than the \$4,000 available to for-profit organizations. That is because the tax-credit amount for non-profits is adjusted to reflect the fact that there are no taxes paid on profits and no deductions for wages paid to employees generating the tax credits. When these factors are considered, the value to a non-profit is similar to the value claimed by a for-profit firm.
 - Tax credits for Hiring Veterans: The President is proposing a new Returning Heroes Tax Credit and a Wounded Warriors Tax Credit. Both are available to non-profit organizations. For non-profits, the Returning Heroes Tax Credit is up to \$3,640 for hiring veterans who have been unemployed six months or longer, and the Wounded Warriors Tax Credit is up to \$6,240 for hiring veterans with service-connected disabilities who have been unemployed six months or longer. Like the tax credit for hiring the long-term unemployed, this credit is lower than for for-profits, but the value is about the same when other taxes are taken into account.

- **Pathways Back to Work for Americans Looking for Jobs.** The President is also proposing innovative programs meant to help the long-term unemployed get back to work and in which non-profit organizations will be able to participate just like other companies. These include:
 - *A new “Bridge to Work” program:* The plan builds on and improves innovative state programs where those displaced take temporary, voluntary work or pursue on-the-job training while receiving unemployment insurance. Non-profit organizations would be able to hire like other companies.
 - *Innovative entrepreneurship and wage insurance programs:* States will also be empowered to implement wage insurance to help reemploy older workers including at non-profit businesses and to create programs that make it easier for unemployed workers to start their own businesses, both non-profit and for-profit, while receiving unemployment insurance.
 - *A new “Pathways to Work” program that expands job opportunities for low-income youth and adults.* This \$5 billion fund invests in successful approaches to connecting low-income youth and adults with employment. These include subsidized employment, innovative training programs, and summer/year-round jobs for youth. Non-profits will be able to participate in all of these programs.