

The impact of WOTC

Reshaping the program for today's workforce



Since 1996, the Work Opportunity Tax Credit (WOTC) has incentivized employers to hire job seekers who face barriers to employment. Nearly three decades of research and implementation offer insight into the program's impact and opportunities to evolve.

1.58 million
WOTC certifications in FY2024¹

WOTC was built to improve on what came before

The Targeted Jobs Tax Credit that preceded WOTC faced concerns about both who qualified and when eligibility was identified. When Congress created WOTC in 1996, it narrowed the number of eligible target groups, tightened eligibility standards and required employers to identify a job seeker's potential eligibility on or before the day a job offer was made.^{2,3} Since then, more than 40 million WOTC certifications have been issued.⁴

WOTC established (1996)

Tighter eligibility
and pre-screening
requirements

WOTC expands (2000s-2010s)

Congress adds and
expands target groups as
workforce needs evolve

Long-term unemployment added (2016)

WOTC expands to
workers experiencing
extended unemployment⁵

Opportunity to reshape WOTC (Today)

Strengthen the
incentive and
modernize eligibility

Employment gains across WOTC target groups



Disabled veterans

+2 percentage points

following expanded WOTC
eligibility, with earnings
increasing approximately 40%.⁶



Long-term unemployed workers

+2.3 percentage points

in the monthly probability
of starting a job following
WOTC's expansion to long-term
unemployment recipients.⁷

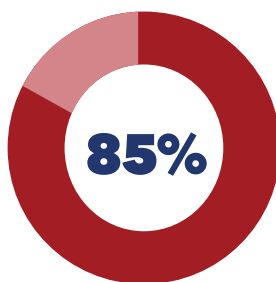


Long-term welfare recipients

Increased employment

among eligible long-term
welfare recipients without a
corresponding decline among
ineligible workers.⁸

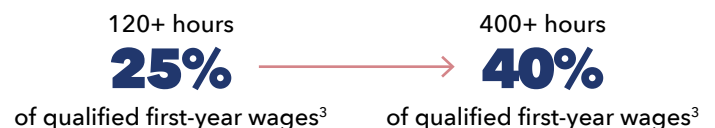
WOTC can influence employer recruiting and hiring practices



of participating employers surveyed in California
and Texas reported changing at least one recruiting,
hiring or training practice to obtain the credit.⁹

WOTC rewards longer employment

Research by Wharton professor Peter Cappelli indicates that WOTC's tiered credit structure gives employers a greater financial incentive as eligible employees work more hours.¹⁰



The higher credit at 400 hours can help reinforce an employer's
investment in training and retaining eligible workers.¹⁰

Research has also found no evidence that WOTC leads to
widespread employee churning.^{7,9}

WOTC supports jobs across today's economy

WOTC-certified employment is not limited to entry-level or low-wage work. Employees receiving WOTC certifications earn wages across a broad range and work in occupations throughout the U.S. economy.¹ The program is also associated with estimated government savings as individuals move from public assistance into the private workforce.⁴

\$18B+

Federal savings

\$5B+

State savings

Estimated annually.⁴

Wages

786,828

certifications for workers
earning **\$15-\$19.99/hour**

173,506

certifications for workers
earning **\$20+/hour**

Occupations

704,405

Office and
admin support

214,955

Sales and related
occupations

208,052

Food preparation
and serving

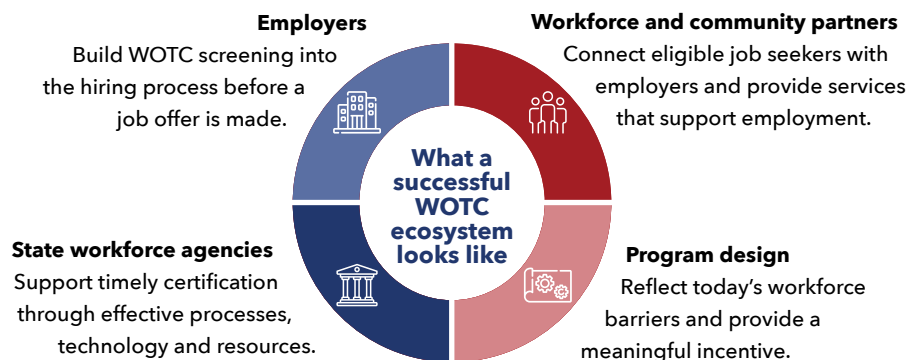
Strengthening WOTC for today's workforce

The bipartisan Improve and Enhance the Work Opportunity Tax Credit Act (S. 3265/H.R. 6231) proposes several updates to modernize WOTC and strengthen the hiring incentive.¹¹

- ✓ **Increase the credit rate**
Strengthen the financial incentive for employers to hire eligible job seekers.
- ✓ **Remove the SNAP age limit**
Extend eligibility to SNAP recipients who currently age out of the target group.
- ✓ **Increase the incentive at 400+ hours**
Place greater value on retaining eligible employees longer.
- ✓ **Add military spouses**
Recognize employment disruption associated with military service.

Build on WOTC's value

WOTC has evolved as policymakers have learned more about how targeted hiring incentives operate. Nearly three decades of implementation provide a foundation for strengthening the program for today's workforce.



Support the reauthorization and enhancement of WOTC.

Sources: ¹ DOL, *WOTC Performance*. ² DOL, *Work Opportunity Tax Credit testimony* (1999). ³ IRS, *Work Opportunity Tax Credit*. ⁴ NEON, *Key Facts*. ⁵ IRS, *Notice 2016-22*. ⁶ Heaton, RAND (2012). ⁷ Czurylo, UIC (2022). ⁸ Ajilore, *Economic Development Quarterly* (2012). ⁹ GAO-01-329 (2001). ¹⁰ Cappelli, Wharton, *Assessing the Effect of the Work Opportunity Tax Credit* (2011). ¹¹ Improve and Enhance the Work Opportunity Tax Credit Act, S. 3265/H.R. 6231 (2025).