

The *Small Nonprofit Retirement Security Act* Extends to Charities the Same Retirement Incentives Given to For-Profit Businesses

The *Small Nonprofit Retirement Security Act* (H.R. 4548 | S. 2365) will extend SECURE 2.0's Small Employer Pension Plan Start-Up Cost Credit and Automatic Enrollment Credit for for-profit employers to small nonprofits.

CURRENT LAW

The SECURE 2.0 Act of 2022 provided a tax credit for small employer pension plan start-up costs and a credit for including automatic enrollment features. Specifically—

- The [Small Employer Pension Plan Start-Up Cost Credit](#) supports the start-up costs of establishing new retirement plans, including plan administration and employee education, up to \$5,000 annually for three years; and
- The [Automatic Enrollment Credit](#) provides an incentive to include an automatic enrollment feature to a plan of \$500 annually for the first three years.

THE PROBLEM

Charities, which employ 10% of the American private-sector workforce, cannot access these tax credits since they generally have **no income tax liability**.

In 2022, the U.S. Bureau of Labor Statistics found that [over 300,000 nonprofits](#) accounted for 12.8 million jobs. The vast majority of nonprofits (90%) have less than 100 employees—with over 50% having less than 10 employees. These are community-based organizations that provide free meals, emergency housing, faith-based outreach, arts and culture programming, childcare assistance, and youth and after-school programs.

A [national survey](#) on retirement challenges faced by the nonprofit workforce found that—like the for-profit sector—small nonprofit employers are far more likely than their larger counterparts to face disproportionate cost and administrative burdens to launch and operate a retirement plan. The report also found that employers implementing automatic enrollment had far greater employee participation.

Despite facing the same cost and administrative challenges as small for-profit businesses, nonprofit employers are currently **shut out of the SECURE 2.0 tax credit incentives** due to their tax-exempt status.

THE SOLUTION: THE *SMALL NONPROFIT RETIREMENT SECURITY ACT*

Extending the SECURE 2.0 tax incentives for for-profit employers to nonprofits via a payroll tax credit will—

- ✓ **Lower the Cost Barrier for Small Nonprofits to Offer Retirement Plans:** By offsetting payroll taxes, the bill reduces out-of-pocket costs for starting and maintaining retirement plans.
- ✓ **Promote Retirement Security for Underserved Workers:** Drives wider adoption of automatic enrollment, significantly boosting participation among low- and moderate-income nonprofit employees.
- ✓ **Level the Playing Field Between For-Profit and Nonprofit Employers:** Gives nonprofits a fair shot at competing for talent by providing the same tools available to small businesses.

Current cosponsors include Representatives Vern Buchanan (R-FL), Jimmy Panetta (D-CA), Blake Moore (R-UT), and Brad Schneider (D-IL), and Senators James Lankford (R-OK) and Catherine Cortez Masto (D-NV).

The American public agrees: [84% of voters](#) (including at least 80% of Republicans, Democrats, and Independents) support extending federal business tax credits to charities for offering retirement plans.

The American Retirement Association (ARA) is a non-profit education organization for retirement plan professionals. Our mission is to support policies that give every working American the ability to have a comfortable retirement.