Improve and Enhance the Work Opportunity Tax Credit (S.3265/H.R.6231): Retain the Service Member through Military Spouse Employment

POC: Stephanie Rose – stephanier@moaa.org

THE BACKGROUND

- The Work Opportunity Tax Credit (WOTC), which provides employers a tax incentive to hire individuals facing consistent employment barriers, expired at the end of 2025.
- Congress successfully used the WOTC to reduce veteran unemployment to levels comparable with the civilian workforce within 5 years of expanding veteran eligibility between 2009 and 2011.
- Military spouses face similar challenges today, with unemployment rates consistently reported at five times the national average for the past decade.
- Joint Committee on Taxation estimates indicate that extending WOTC eligibility to military spouses could support the hiring of approximately 60K unemployed military spouses over five years (360M tax credit cost / $6K max credit), reducing the current rate of military spouse unemployment by an estimated 16% and moving it closer to civilian levels by 2030.

THE CHALLENGE

- When military spouses are unable to find employment, families lose more than a second paycheck: they lose an important source of financial stability.
- Growing out-of-pocket housing costs and unreimbursed PCS expenses decrease financial readiness of single-income households as these families struggle to cover basic and emergency expenses.
- These financial pressures directly affect retention, with 10.7% of military families without a working spouse reporting that lack of a second income has created pressure to leave military service.[1]
- Every time a service member leaves, they must be replaced at an initial cost of $200K per recruit.

THE POLICY SOLUTION

- **The Improve and Enhance the Work Opportunity Tax Credit Act (H.R. 6231 / S. 3265)** creates a financial incentive for employers to hire military spouses.
- Only 1,800 service members married to projected military spouse hires (3% of the estimated total) would need to be retained for the federal government to break even on its investment.
- If 10.7% of military spouses benefitting from this program could be retained (6,420), the federal government would save an additional $924M in recruitment and training cost savings over the next five years.

[1] Military Family Advisory Network Military Family 360 Survey (2025): https://www.mfan.org/, pg.75