

119TH CONGRESS  
1ST SESSION

# S. 2365

To amend the Internal Revenue Code of 1986 to make the credit for small employer pension plan startup costs and the retirement auto-enrollment credit available to tax-exempt eligible small employers.

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## IN THE SENATE OF THE UNITED STATES

JULY 21, 2025

Mr. LANKFORD (for himself and Ms. CORTEZ MASTO) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to make the credit for small employer pension plan startup costs and the retirement auto-enrollment credit available to tax-exempt eligible small employers.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Small Nonprofit Re-  
5       tirement Security Act of 2025”.

1 **SEC. 2. RETIREMENT CREDITS MADE AVAILABLE TO TAX-**  
 2 **EXEMPT SMALL EMPLOYERS.**

3 (a) CREDIT FOR SMALL EMPLOYER PENSION PLAN  
 4 STARTUP COSTS.—Section 45E of the Internal Revenue  
 5 Code of 1986 is amended by adding at the end the fol-  
 6 lowing new subsection:

7 “(g) CREDIT MADE AVAILABLE TO TAX-EXEMPT EL-  
 8 IGIBLE EMPLOYERS.—

9 “(1) IN GENERAL.—In the case of a tax-exempt  
 10 eligible employer, there shall be treated as a credit  
 11 allowed under section 3111(g), and not as a credit  
 12 determined under subsection (a), an amount equal to  
 13 the lesser of—

14 “(A) the amount of the credit determined  
 15 under this section (without regard to this sub-  
 16 section) with respect to such employer, or

17 “(B) the amount of payroll tax paid by the  
 18 employer during the calendar year in which the  
 19 taxable year begins.

20 “(2) DEFINITIONS.—For purposes of this sub-  
 21 section—

22 “(A) TAX-EXEMPT ELIGIBLE EMPLOYER.—  
 23 The term ‘tax-exempt eligible employer’ means  
 24 an eligible employer which is described in sec-  
 25 tion 501(c) and exempt from taxation under  
 26 section 501(a).

1 “(B) PAYROLL TAX.—

2 “(i) IN GENERAL.—The term ‘payroll  
3 tax’ means the tax imposed by section  
4 3111(a).

5 “(ii) SPECIAL RULE.—A rule similar  
6 to the rule of section 24(d)(2)(C) shall  
7 apply for purposes of determining the pay-  
8 roll tax paid by an employer.”.

9 (b) RETIREMENT AUTO-ENROLLMENT CREDIT.—  
10 Section 45T of the Internal Revenue Code of 1986 is  
11 amended by adding at the end the following new sub-  
12 section:

13 “(d) CREDIT MADE AVAILABLE TO TAX-EXEMPT EL-  
14 IGIBLE EMPLOYERS.—

15 “(1) IN GENERAL.—In the case of a tax-exempt  
16 eligible employer, there shall be treated as a credit  
17 allowed under section 3111(g), and not as a credit  
18 determined under subsection (a), an amount equal to  
19 the lesser of —

20 “(A) the amount of the credit determined  
21 under this section (without regard to this sub-  
22 section) with respect to such employer, or

23 “(B) the amount of payroll tax paid by the  
24 employer during the calendar year in which the  
25 taxable year begins.

1           “(2) DEFINITIONS.—For purposes of this sub-  
2       section—

3           “(A) TAX-EXEMPT ELIGIBLE EMPLOYER.—  
4       The term ‘tax-exempt eligible employer’ means  
5       an eligible employer which is described in sec-  
6       tion 501(c) and exempt from taxation under  
7       section 501(a).

8           “(B) PAYROLL TAX.—

9           “(i) IN GENERAL.—The term ‘payroll  
10       tax’ means the tax imposed by section  
11       3111(a).

12          “(ii) SPECIAL RULE.—A rule similar  
13       to the rule of section 24(d)(2)(C) shall  
14       apply for purposes of determining the pay-  
15       roll tax paid by an employer.”.

16       (c) PAYROLL CREDIT.—Section 3111 of the Internal  
17       Revenue Code of 1986 is amended by adding at the end  
18       the following new subsection:

19       “(g) CREDIT FOR CERTAIN PLANS OF TAX-EXEMPT  
20       EMPLOYERS.—

21          “(1) IN GENERAL.—In the case of a tax-exempt  
22       eligible employer to which section 45E(g) or section  
23       45T(d) applies, there shall be allowed as a credit  
24       against the tax imposed by subsection (a) for cal-  
25       endar quarters in an applicable year an amount

1 equal to the amount determined under section  
 2 45E(g)(1) or section 45T(d)(1), whichever is appli-  
 3 cable.

4 “(2) LIMITATION.—The aggregate amount al-  
 5 lowed as a credit under this subsection for the cal-  
 6 endar quarters in any year shall not exceed the  
 7 amount of the tax imposed by subsection (a) on  
 8 wages paid with respect to the employment of all  
 9 employees of the employer during such year, deter-  
 10 mined by applying a rule similar to the rule of sec-  
 11 tion 24(d)(2)(C).

12 “(3) DEFINITIONS.—For purposes of this sub-  
 13 section—

14 “(A) TAX-EXEMPT ELIGIBLE EMPLOYER.—  
 15 The term ‘tax-exempt eligible employer’ means  
 16 an eligible employer which is described in sec-  
 17 tion 501(c) and exempt from taxation under  
 18 section 501(a).

19 “(B) APPLICABLE YEAR.—The term ‘appli-  
 20 cable year’ means the calendar year referred to  
 21 in section 45E(g)(1)(B) or section  
 22 45T(d)(1)(B), whichever is applicable.”.

23 (d) EFFECTIVE DATE.—The amendments made by  
 24 this section shall apply to taxable years beginning after  
 25 December 31, 2024.

1       (e) TRANSFERS OF FUNDS TO OLD-AGE, SURVIVORS,  
2 AND DISABILITY TRUST FUND.—There are hereby appro-  
3 priated to the Federal Old-Age and Survivors Trust Fund  
4 and the Federal Disability Insurance Trust Fund estab-  
5 lished under section 201 of the Social Security Act (42  
6 U.S.C. 401) amounts equal to the reduction in revenues  
7 to the Treasury by reason of the amendments made by  
8 subsections (a), (b), and (c). Amounts appropriated by the  
9 preceding sentence shall be transferred from the general  
10 fund at such times and in such manner as to replicate  
11 to the extent possible the transfers which would have oc-  
12 curred to such Trust Fund had such amendments not  
13 been enacted.

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