

THE REWARDING WORK AND WAGES ACT

Rewarding Employers Who Invest in Their Workers

The Problem

Millions of Americans work full-time jobs and still can't afford basic necessities. When employers pay poverty wages, taxpayers pick up the tab through food stamps, Medicaid, and housing assistance. Meanwhile, the tax code rewards companies regardless of how they treat their workers. There's no incentive to pay a living wage and no penalty for pushing labor costs onto the public.

The Solution

The Rewarding Work and Wages Act flips the incentive structure. Instead of mandating wage floors that can hurt small businesses, it uses the tax code to reward employers who choose to pay living wages and provide real benefits — and it gives small businesses the support they need to get there.

How It Works

1. Tax Credits for Living Wages. Employers who pay at least the locally determined living wage receive a 10% base tax credit on wages paid to qualifying employees. Employers who also provide health insurance, paid leave, or retirement contributions earn an additional 5% enhanced credit plus bonus credits for health and retirement. Credits are tiered by employer size — small businesses get the most generous caps.

2. Sized for Fairness. Credit caps are set by employer size: small (50 or fewer employees), mid-size (51–500), and large (500+). Small employers can earn up to \$6,750 per employee; large employers up to \$3,850. The Secretary of Labor adjusts caps annually by size and sector, with all amounts indexed to inflation.

3. Federal Contracting Preferences. Companies bidding on federal contracts over \$250,000 are evaluated in part on whether they pay living wages and provide benefits. This

carries a 15–25% evaluation weight — enough to matter, but balanced with cost and technical merit.

4. Small Business Transition Support. Small businesses get a three-year phase-in (60% → 75% → 90% of employees at the living wage), a 25% transition tax credit for wage increases, and free SBA-provided financial modeling, workforce planning, and peer mentoring.

5. Strong Enforcement. Worker misclassification penalties range from \$5,000 to \$25,000 per worker. Wage theft triggers \$10,000+ per employee penalties plus back pay and liquidated damages. Violators lose all Act benefits for three years, and workers have a private right of action.

What This Bill Does NOT Do

This bill does not impose a federal wage mandate. It uses incentives, not mandates. No employer is forced to raise wages — but employers who do are rewarded.

This bill does not punish small businesses. It gives them the most generous credit caps, the longest phase-in, transition funding, and free technical assistance.

This bill does not create a one-size-fits-all system. Living wages are calculated locally, reflecting actual costs of living. Credit caps adjust by sector and employer size.

This bill does not increase the deficit long-term. Higher wages reduce public assistance spending, increase tax revenue, and boost consumer spending — the bill includes revenue provisions to cover transition costs.

Key Facts

Base Credit	10% of qualifying wages; tiered caps by employer size
Enhanced Credit	Additional 5% for employers providing benefits
Small Biz Max	Up to \$6,750 per employee per year
Large Employer Max	Up to \$3,850 per employee per year
Phase-In	3 years for small businesses (60% → 75% → 90%)
Transition Credit	25% of wage increases, up to \$50K/year (indexed)
Contracting Weight	15–25% evaluation preference for living-wage employers
Enforcement	Misclassification fines up to \$25K; 3-year benefit ban

Why This Matters

When employers pay a living wage, workers spend more in their communities, rely less on government assistance, and stay in their jobs longer. Businesses benefit from lower turnover, higher productivity, and a more stable workforce. Taxpayers benefit because they're no longer subsidizing profitable companies that underpay their employees.

The Rewarding Work and Wages Act doesn't punish business — it rewards good business. It says to every employer in America: invest in your workers, and your country will invest in you.

If you work full time in America, you should be able to afford to live in America.
