

Analysis of the 2025 Tax Bill and Its Impact on Charitable Nonprofits

Updated July 3, 2025

On July 3, Congress passed [H.R. 1](#), formerly known as the “One Big Beautiful Bill Act,” a major tax package that directly impacts nonprofits and their ability to serve communities nationwide. The bill now heads to the President’s desk for his signature.

Top Priorities

Issue	Legislative Change	Impact on Charitable Nonprofits
<p>1% Floor for Charitable Contributions by Corporations OPPOSE</p>	<p>Section 70426: Impose a 1% floor for the deduction for charitable contributions made by corporations and allow corporations to carry forward the tax benefit for 5 years.</p>	<p>Floors and ceilings on charitable giving create artificial limitations on the incentive to give to charitable organizations.</p>
<p>Limits on Itemized Deductions OPPOSE</p>	<p>Section 70111: Cap the value of the charitable deduction for high income taxpayers in the 37% tax bracket to 2/37 (~35%). The amount may be further reduced by any state and local tax (SALT) deduction a taxpayer claims, which is capped at 5/37 (~32%).</p> <p>Section 70425: Create a 0.5% floor for itemizers with an ordering rule.</p>	<p>Reduction in the value of itemized deductions in general and capping charitable contributions would reduce the incentive for and amount of charitable giving.</p>

Top Priorities

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<p>Incentives for Charitable Giving SUPPORT WITH CHANGES</p>	<p>Section 70424: Make permanent a partial tax deduction of \$1,000 single/\$2,000 joint filers for charitable contributions for nonitemizers.</p>	<p>This would further incentivize charitable giving and bolster the work done in communities by charitable nonprofits.</p>

Other Issues

Issue	Legislative Change	Impact on Charitable Nonprofits
<p>College and University Endowments OPPOSE</p>	<p>Section 70415: Apply a 1.4% tax to colleges and universities with a “student adjusted endowment” between \$500,000 and \$750,000</p> <p>Increase the endowment tax from 1.4% to 4% to those with a “student adjusted endowment” between \$750,000 and \$2 million.</p> <p>Increase the endowment tax from 4% to 8% to those with a “student adjusted endowment” more than \$2 million.</p>	<p>Taxes on endowments or investment assets decrease the financial resources available to nonprofits to advance their mission.</p>
<p>Estate and Gift Tax OPPOSE</p>	<p>Section 70106: Permanently extend the estate and lifetime gift tax exemption to \$15 million for single filers, and \$30 million for married filing jointly in 2026.</p> <p>Index the amount exempted for inflation moving forward.</p>	<p>Donors could reduce any estate and lifetime tax liability by making charitable donations.</p>
<p>Highly Compensated Nonprofit Employees NEUTRAL</p>	<p>Section 70416: Expand the 21% excise tax on nonprofits that exceed \$1 million in compensation to any employee, including a former employee.</p>	<p>This would reduce resources available to nonprofits to serve their missions.</p>

Other Issues

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<p>Paid Family and Medical Leave Credit CHANGES ARE NEEDED</p>	<p>Section 70304: Make the credit permanent.</p> <p>Allow employers to claim the credit for a portion of paid family leave insurance premium.</p> <p>Make the credit available to all states.</p> <p>Lower the minimum employee work requirement to 6 months.</p>	<p>Charitable nonprofits cannot claim the tax credit as they are tax exempt and do not pay income taxes.</p>
<p>Employer-Provided Child Care Credit CHANGES ARE NEEDED</p>	<p>Section 70401: Permanently increase the maximum credit to \$500,000 and the percentage of qualified child care expenses to 40%.</p> <p>Eligible small businesses qualify for a maximum credit of \$600,000 and the percentage of qualified expenses covered would be 50%.</p> <p>Index maximum credit amount for inflation.</p>	<p>Charitable nonprofits cannot claim the tax credit as they are tax exempt and do not pay income taxes.</p>

Other Issues

Issue	Legislative Change	Impact on Charitable Nonprofits
Standard Deduction NEUTRAL	Section 70102: Permanently increase the standard deduction by \$750 (single)/\$1,500 (joint filers) and retroactive to 2025.	This could further limit the number of tax filers who itemize their deductions, including for donations to charitable nonprofits.

Removed Provisions

Issue	Legislative Change	Impact on Charitable Nonprofits
<p>Revoking Nonprofit Tax-Exempt Status Oppose</p>	<p>Allow the Secretary of the Treasury to revoke the tax-exempt status of nonprofits designated as “terrorist supporting organizations” without full evidence or due process.</p> <p>Removed from final House version.</p>	<p>This would grant unprecedented authority to the Executive Branch to target charitable organizations on ideological grounds.</p> <p>Nonprofit organizations wrongfully designated would be irreparably harmed, losing the trust of donors and the communities they serve.</p>
<p>Unrelated Business Income Tax Expanded to Cover Name and Logo Royalties OPPOSE</p>	<p>Sale or licensing of name or logo will be considered unrelated business income.</p> <p>Removed from final House version.</p>	<p>Expanding the items considered UBI could decrease the assets available for nonprofit organizations to fulfill their mission.</p>
<p>Foundation Excise Tax OPPOSE</p>	<p>Increase the current tax rate of 1.39 % on net investment assets to private foundations with over assets over \$50 million. Apply a tax rate of 2.78% to private foundations with assets of between \$50 million and \$250 million; 5% on those with assets of between \$250 million and \$5 billion; and 10% to private foundations with assets greater than \$5 billion.</p> <p>Not included in the Senate version.</p>	<p>This would greatly reduce financial resources available to nonprofits and the amount given by philanthropy.</p>

Removed Provisions

Issue	Legislative Change	Impact on Charitable Nonprofits
<p>Unrelated Business Income Tax on Transportation Benefits OPPOSE</p>	<p>Increase and expand to include qualified transportation fringe benefits, such as transit or parking benefits, for charitable nonprofits. There is an exception for church-affiliated organizations.</p> <p>Not included in the Senate version.</p>	<p>This would take revenue away from charitable nonprofits' mission-related programs and services.</p> <p>A similar provision was repealed after the 2017 tax law because of its confusing nature of applying an income tax on an expense and the difficulty of quantifying the benefits.</p>
<p>Employee Retention Tax Credit (ERTC) OPPOSE</p>	<p>Bar the Internal Revenue Service from issuing any unpaid ERTC claims unless a claim was filed on or before January 31, 2024.</p> <p>Removed from final House version.</p>	<p>This artificial deadline will prevent the payment of legitimate claims filed after that date.</p>

Resources

- Senate Bill: [H.R. 1](#)
- House Bill: [One Big Beautiful Bill Act](#) (H.R. 1)
- [Congress Passes Major Tax Package; Nonprofits Directly Impacted](#), National Council of Nonprofits, July 3, 2025.

Find more information from the National Council of Nonprofits at www.councilofnonprofits.org. To stay up to date on policy developments affecting nonprofits at the federal, state, and local levels, subscribe for free to Nonprofit Champion at www.councilofnonprofits.org/connect.