

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

Updated June 17, 2025

On May 22, the U.S. House of Representatives passed H.R. 1, the “[One Big Beautiful Bill Act](#)” implementing President Trumps’ agenda and extending the 2017 tax law. The Senate released its version on Jun 16. The bill, if enacted, could have a significant impact on charitable nonprofits and the people they serve.

Top Priorities

Issue	House Version	Senate Version	Impact on Charitable Nonprofits
1% Floor for Charitable Contributions by Corporations OPPOSE	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.	Same as House.	Floors and ceilings on charitable giving create artificial limitations on the incentive to give to charitable organizations. Congress should remove this provision from the tax bill.
Limits on Itemized Deductions OPPOSE	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%). Changed in final House version.	Same cap as original House version, which reduced the value of the charitable deduction by 2/37 (~35%). Create a .5% floor for itemizers.	Reduction in the value of itemized deductions in general and capping charitable contributions would reduce the incentive for and amount of charitable giving. Congress should remove this provision from the tax bill.

Top Priorities

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Incentives for Charitable Giving SUPPORT WITH CHANGES	Reinstate a partial tax deduction of \$150 single/\$300 joint filers for charitable contributions for nonitemizers through 2028.	Make permanent a partial tax deduction of \$1,000 single/\$2,000 joint filers for charitable contributions for nonitemizer.	<p>This would further incentivize charitable giving and bolster the work done in communities by charitable nonprofits.</p> <p>Congress should fully expand this provision, as proposed in the Charitable Act, to create a full-scale non-itemizer tax incentive for charitable donations to nonprofit organizations.</p>

Other Issues

Issue	House Version	Senate Version	Impact on Charitable Nonprofits
College and University Endowments OPPOSE	<p>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 7% to those with a “student adjusted endowment” between \$750,000 to \$1.25 million.</p> <p>Increase the endowment tax to 14% to those with a “student adjusted endowment” of between \$1.25 million and \$2 million.</p> <p>Increase the endowment tax to 21% to those with a “student adjusted endowment” worth more than \$2 million.</p>	<p>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>Congress should remove this provision from the tax bill.</p>

Other Issues

Issue	House Version	Senate Version	Impact on Charitable Nonprofits
Estate and Gift Tax OPPOSE	<p>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>	Same as House.	<p>Donors could reduce any estate and lifetime tax liability by making charitable donations.</p> <p>Congress should remove this provision from the tax bill.</p>
Highly Compensated Nonprofit Employees NEUTRAL	<p>Expand the 21% excise tax on nonprofits that exceed \$1 million in compensation to any employee, including a former employee.</p>	Same as House.	<p>This would reduce resources available to nonprofits to serve their missions.</p> <p>Due to pressure from advocates, congressional leaders revised this provision to narrow the definition of "covered employee."</p>
Paid Family and Medical Leave Credit CHANGES ARE NEEDED	<p>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>	Same as House.	<p>Charitable nonprofits cannot claim the tax credit as they are tax exempt and do not pay income taxes.</p> <p>Congress should consider payroll tax relief for nonprofit employers.</p>

Other Issues

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Employer-Provided Child Care Credit CHANGES ARE NEEDED	<p>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>	Same as House.	<p>Charitable nonprofits cannot claim the tax credit as they are tax exempt and do not pay income taxes.</p> <p>Congress should consider payroll tax relief for nonprofit employers.</p>
Standard Deduction NEUTRAL	<p>Increase the standard deduction by \$1,000 (single)/\$2,000 (joint filers) through 2028.</p>	<p>Increases the standard deduction by \$1,500 (single)/\$1,000 (joint filers) through 2029</p>	<p>This would further limit the number of tax filers who itemize their deductions, including for donations to charitable nonprofits.</p>

Removed Provisions

Issue	House Version	Senate Version	Impact on Charitable Nonprofits
Revoking Nonprofit Tax-Exempt Status Oppose	<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>No provision.</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>
Unrelated Business Income Tax Expanded to Cover Name and Logo Royalties OPPOSE	<p>Sale or licensing of name or logo will be considered unrelated business income.</p> <p>Removed from final House version.</p>	<p>No provision.</p>	<p>Expanding the items considered UBI could decrease the assets available for nonprofit organizations to fulfill their mission.</p>

Removed Provisions

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Foundation Excise Tax OPPOSE	<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>No provision.</p>	<p>This would greatly reduce financial resources available to nonprofits and the amount given by philanthropy.</p>
Unrelated Business Income Tax on Transportation Benefits OPPOSE	<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>No provision.</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>

Removed Provisions

Issue	House Version	Senate Version	Impact on Charitable Nonprofits
Employee Retention Tax Credit (ERTC) OPPOSE	<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>Same as House.</p>	<p>This artificial deadline will prevent the payment of legitimate claims filed after that date.</p> <p>Congress should remove this provision from the tax bill.</p>

Resources

- Senate Bill Text: [Finance Tax Draft](#)
- [Major Tax Package Advances in the Senate! Call Your Members of Congress Today!](#), National Council of Nonprofits, June 17, 2025.
- House Bill Text: [One Big Beautiful Bill Act](#) (H.R. 1).
- Manager's Amendment: [Rules Committee Print 119-3](#).
- [Major Tax Package Heads to the Senate. Call TODAY to Protect Nonprofits!](#), National Council of Nonprofits, May 22, 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.