

The Omnibus Spending Bill for FY 2023

A Charitable Nonprofit Perspective

Early on December 20, lawmakers released to the public the \$1.7 trillion Omnibus spending bill for fiscal year 2023. The legislation, called the Consolidated Appropriations Act, 2023, includes \$772.5 billion for non-defense discretionary programs and \$858 billion in defense funding. This summary focuses on broad priorities of the charitable nonprofit community, highlighting key provisions that were included in or omitted from the legislation.

Selected Spending Provisions

- **Ukraine:** \$45 billion in emergency assistance to Ukraine and NATO allies. (Division M)
- **Disaster Response Spending:** At least \$38 billion in [disaster supplemental spending](#) to assist communities recovering from drought, hurricanes, flooding, wildfire, natural disasters and other matters. *The section of the bill does not provide tax relief sought by nonprofits.* (Division N) A Senate amendment permits state and local governments to devote up to \$10 million or 30% of their allocations of **American Rescue Plan Act fiscal recovery funds** to respond to natural disasters or support transportation and community development projects. Those ARPA funds, which can be invested in nonprofit relief and programming, were initially dedicated solely to pandemic relief and recovery.
- **Child Care:** \$8 billion, a 30% increase in funding for the **Child Care and Development Block Grant** program that provides financial assistance to low-income families to access child care. It also provides \$12 billion, an 8.6 percent increase, for Head Start. The charitable community advocated throughout 2022 for improved child care funding and access as solutions to the [nonprofit workforce shortages crisis](#).
- **Housing:** \$6.39 billion for the **Community Development Block Grant** formula program and related local economic and community development projects that benefit low- and moderate income areas and people, an increase of \$1.5 billion from FY 2022. \$3.6 billion for **Homeless Assistance Grants**, a \$420 million or 13 percent increase from FY 2022, to fund a wide variety of service and housing interventions.
- **Nonprofit Workforce Data:** \$9 million in additional funding for the Bureau of Labor Statistics and [report language](#) connected to the Omnibus encouraging BLS to break out nonprofit workforce as a distinct category in quarterly employment and wage reports. The failure of the government to provide accurate nonprofit employment data on a par with for-profit data has long hindered the ability of charitable organizations to demonstrate the effect of public policies on community impact.
- **Nutrition:** Supplemental Nutrition Assistance Program increased by \$13.4 billion. \$28.5 billion for child nutrition programs and \$6 billion for the Special Supplemental Nutrition Program for Women, Infants and Children.

- **Earmarks:** The Omnibus includes billions of dollars in earmarks, called “Congressionally Directed Spending” in the Senate and “Community Project Funding” in the House. More than 1,000 of the earmarks designate direct spending to specific projects and programs run by charitable nonprofits. Big winners include museums, domestic violence prevention, libraries, community foundations, historic preservation, and healthcare.

Tax Provisions

The legislation includes a few tax-related provisions in **Division T, the SECURE 2.0 Act**, a package of dozens of retirement security reforms, including a hike from 72 to 75 the age at which individuals must start withdrawing from the retirement accounts, an increase in catch-up contributions for 401(k)s, and allow 403(b)s to participate in multiemployer and pooled employer plans. The Division also incorporates two bipartisan reforms long sought by charitable organizations:

- **Conservation Easements:** Clamps down on what are considered fraudulent tax breaks by automatically disallowing any deduction for investments in syndicated conservation easements that are 2.5 times more than what investors put into a partnership that is making the deals. Provides several exceptions. (Section 605, p. 2372)
- **Retirement Security:** Recognizes a scaled back **legacy IRA provision** that allows for payouts from IRAs to charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts, capped at \$50,000. (Section 307, p. 2237) Also permits designation of charitable nonprofits as remainder beneficiaries of special needs trusts. (Section 337, p. 2318)

Priorities Not Included

- **Charitable Giving Tax Incentives:** The Omnibus does not restore three charitable giving incentives that expired at the end of 2021: the universal or non-itemizer deduction, the increase from 60% to 100% of Adjusted Gross Income in the amount individuals may deduct for charitable contributions, and the increase from 10% to 25% of income that corporations may deduct.
- **Child Tax Credit:** Negotiations came up short on a proposed deal to partially restore an enhanced refundable child tax credit that had been provided in 2021 via the American Rescue Plan Act. Democrats had hoped to pair the CTC provision with tax relief for business research depreciations.
- **Employee Retention Tax Credit:** The bill does not restore eligibility for the ERTC for the fourth quarter of 2021 that was retroactively repealed late that year. The Omnibus also fails to reinstate the ERTC in response to recent, ongoing, and future natural disasters.
- **Pandemic Supplemental Aid:** The bill does not include billions requested by the Biden Administration for pandemic aid, vaccines, and preparation.

Legislative Materials

[Consolidated Appropriations Act, 2023](#) legislative text (4,155 pages)
 Senate Appropriations Democratic [News Release](#), [Summary](#)
 Senate Appropriations Republican [News Release](#), [Summary](#)
 House Appropriations Democratic [News Release](#), [Democratic Wins](#)