

TO: Members of the House Ways and Means Committee
Members of the Senate Finance Committee

FROM: The Networks of the National Council of Nonprofits

RE: Tax Policy Priorities of the Charitable Nonprofit Sector

DATE: October 15, 2024

The charitable nonprofits in your communities and across the country are significant employers, economic drivers, and problem solvers on whom your constituents rely. Every day. The networks of the National Council of Nonprofits share this memorandum with the knowledge and concern that the tax policy questions you will be called upon to decide can have a profound impact – either positive or negative – on the ability of your local nonprofits to improve lives, strengthen communities, and advance the public good.

The expiration of key provisions of the 2017 tax law at the end of 2025 sets the stage for one of the most consequential tax debates in a generation. In this memorandum and the accompanying policy papers, we highlight fundamental tax policy proposals that can enhance the abilities of organizations to advance their missions in communities. We also identify adverse policies, including benign proposals with identifiable, but unintended consequences, that we believe Congress should not adopt.

Preserve Nonprofit Nonpartisanship

- 1. First, Do No Harm:** Charitable nonprofits – 501(c)(3) organizations – are steadfastly nonpartisan in law, fact, and purpose, not just because the third proviso of Internal Revenue Code Section 501(c)(3) requires it, but also because nonpartisanship is essential to public trust and organizational impact in communities. Charitable nonprofits call on Congress to preserve that longstanding law, sometimes called the “Johnson Amendment,” without amendment or alteration.

Resource: [Charitable Nonprofits: Nonpartisan in Law, Fact, and Purpose](#) | Preserving the Third Proviso of Sec. 501(c)(3), National Council of Nonprofits, Sept. 9, 2024.

Incentivize Charitable Giving

Charitable nonprofits continue to experience growing demand for their services, yet costs continue to rise due to inflation while private donations and the number of donors are declining. Congress should empower millions more taxpayers to help solve these challenges by enacting tax incentives that encourage donations to the work of charitable organizations in their communities.

- 2. Reinstate and Expand a Non-Itemizer Deduction** to ensure all taxpayers, including those taking the standard deduction, can receive a charitable tax incentive for giving back to their communities.
- 3. Retain the 60% AGI Cap** on charitable deductions to increase giving by those itemize.

Resource: [Charitable Giving Incentives](#), National Council of Nonprofits, Sept. 23, 2024.

Update Nonprofit Employment Tax Policies

- 4. Extend Employment Tax Incentives to Nonprofits:** Most employment tax incentives come in the form of income tax credits that tax-exempt organizations cannot utilize. The result is that it costs more for nonprofit employers to hire and retain staff, denying charitable organizations the ability to compete with for-profit employers on an equal basis. Congress should enable tax-exempt employers to utilize employment tax incentives by converting existing tax credits to direct pay or transferability models.
- 5. Allow the Excise Tax on Nonprofit Compensation to Expire** at the end of 2025.

Resource: [Tax Policies Affecting Nonprofit Employment](#), National Council of Nonprofits, Oct. 7, 2024.

Prioritize Natural Disaster Tax Relief

- 6. Enact a Permanent Natural Disaster Tax Relief Package**, triggered by a disaster declaration by the President, to generate resources to empower charitable organizations to serve affected communities in the aftermath of natural disasters. The package should include an enhanced non-itemizer deduction (e.g., double the level set in #2, above) and 100% AGI cap for donations to charitable organizations working in areas identified in disaster declarations.

Resource: [Natural Disaster Tax Relief](#), National Council of Nonprofits, Aug. 12, 2024.

Remove Tax Law Impediments to Volunteering

- 7. Increase the Charitable Mileage Rate** from the current rate of 14 cents/mile to the Standard Business Rate to remove the cost disincentive to drive on behalf of charitable organizations, particularly in rural areas.
- 8. End the Taxation of Education and Service Awards** for volunteers committed to national service.

Resource: [Removing Tax Code Impediments to Volunteering](#), National Council of Nonprofits, Aug. 26, 2024.

This Memorandum does not attempt to address all tax policies affecting all charitable organizations. The debate over which provisions of the 2017 tax law should be extended, modified, or allowed to

expire must also evaluate the impact of the higher **estate tax thresholds**, treatment of **unrelated business income taxes**, excise **taxes on some nonprofit reserves**, and much more.

National Council of Nonprofits

For more than 30 years, the National Council of Nonprofits has mobilized the nation's largest sector-wide network of charitable nonprofits to achieve transformative results. We provide nonprofits with the tools, research, and resources needed to operate more effectively, efficiently, and ethically. In pursuit of a more civil and just society, we embed diversity, equity, and inclusion throughout our organization and the ways we carry out our mission, purposefully and tangibly applying these principles in our internal operations, programs, policies, and leadership. Our collective efforts ensure a connected and powerful nonprofit community equipped to champion the public good.