

## Protecting Nonprofits in Tax Reconciliation

### America's Nonprofits: Essential Community Partners

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As Congress debates tax policy, it is essential that any tax package protect nonprofit organizations and their ability to continue serving people and communities nationwide. The National Council of Nonprofits (NCN) urges Congress to ensure any tax bill rejects increased taxes on foundations and other nonprofits and preserves and strengthens charitable giving incentives.

Nonprofits are the backbone of our communities, serving as trusted partners in delivering essential services. From feeding the hungry and supporting veterans to educating our youth and caring for the elderly, nonprofits work every day to serve people across America and meet real community needs. They embody the spirit of neighbor-helping-neighbor, stepping in to fill the gaps where local and state governments cannot fully meet the needs of the community.

### Why Nonprofits Matter

- **Community Impact:** Nonprofits address local needs with local solutions, reaching people and communities that might otherwise be overlooked. They deliver critical services that strengthen neighborhoods, support families, and improve lives every day.
- **Strengthening Civil Society:** Nonprofits foster volunteerism and leadership at the local level. These are foundational principles that sustain a strong America.
- **Public Trust:** Operating with transparency and accountability, nonprofits maintain public trust, ensuring that resources are directed to where they are needed most.

### Call to Action

NCN urges Congress to recognize and support the indispensable work done by nonprofits by ensuring any tax package advanced in Congress:

#### 1. **Rejects Increased Taxes on Foundations and other Charitable Nonprofits**

Charitable nonprofit organizations are exempted from paying certain federal taxes so that they can dedicate even more of their resources to serving their communities. As the tax bill advances in Congress, policymakers should reject proposals included in the House version to increase taxes on

foundations (Section 112022) and nonprofits transportation benefits (Section 112024) as a pay-for for the tax package. If enacted, it would divert scarce resources away from essential services, undermine the ability of charitable nonprofit organizations to meet needs in their communities, and put greater strain on government.

## **2. Rejects Limits on Charitable Donations Made by Individuals and Corporations**

Charitable nonprofits rely on donations to deliver vital services and address critical needs unmet by government. As the tax bill advances in Congress, policymakers should reject provisions included in the House draft that would disincentivize charitable giving. As currently written, the bill significantly decreases the value of the charitable deduction for high-income taxpayers by capping itemized deductions (Section 110011). It discourages corporate giving by creating a 1% floor for charitable contributions by corporations (Section 112027). Ultimately, those provisions will reduce giving and the people who rely on services provided by nonprofits will be harmed the most.

## **3. Preserves and Strengthens Charitable Tax Incentives**

Charitable deductions incentivize giving and are vital for nonprofits to sustain their missions. As the tax bill advances in Congress, policymakers should ensure a proposal included in the House version to create a non-itemizer deduction remains in the bill and expand it to further incentivize charitable giving (Section 110112). As currently written, the tax bill would provide up to \$150 for individuals and \$300 for married couples who make charitable donations, regardless of whether the tax filers claim an itemized deduction. Fully expanding the deduction, as proposed in the Charitable Act (S.317, H.R.801) from Senators Lankford (R-OK) and Coons (DDE) and Representatives Moore (R-UT) and Pappas (D-NH), would help nonprofit organization access the resources needed to address community needs.

By safeguarding the nonprofit sector, we can ensure that communities across the nation continue to thrive and that the most vulnerable among us receive the support they need.