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Federal

Trump Administration Challenging Tax-Exempt Status

Over the weekend, reports emerged confirming the Administration's intent to challenge charitable nonprofits' tax-exempt status. Meetings among attorneys and senior officials at the Internal Revenue Service (IRS) discussed altering rules governing how to deny tax exemption, prioritizing investigations of targeted types of nonprofits, and changing public policy to allow for easier revocation, according to the [Wall Street Journal](#). Last Friday, President Trump posted on social media plans to revoke Harvard's tax-exempt status, ramping up these attacks. NCN previously issued a [joint statement](#) with the Council on Foundations, Independent Sector, and United Philanthropy Forum against threats to civil society and independence of the charitable sector. NCN is resolved in our intent to champion the sector and meet the moment.

President Trump's Skinny Budget Released

Last Friday, President Trump released his “skinny” budget request, proposing to slash domestic discretionary spending by 22.6%, a \$163 billion reduction. The President’s budget proposal is his latest effort to eliminate or deeply cut critical federal resources and target nonprofit organizations that lawfully serve their communities. Funding for programs focused on disaster preparedness, substance abuse services, clean drinking water, arts and culture, housing, and many more would be dramatically cut. Throughout the budget, specific nonprofit organizations are identified and denigrated as “wasteful,” “liberal,” “radical leftists,” and pushing a “leftist agenda.”

Like all presidential budget requests, the skinny budget represents the President’s wish list of funding priorities. Congress ultimately has the responsibility to draft and enact a spending bill. Congress has until October 1, the start of the new fiscal year, to either enact final spending bills or a stop-gap measure known as a continuing resolution (CR) to keep the government open, or it risks a government shutdown.

[See NCN's full analysis](#)

Republicans Continue Efforts to Advance Major Tax Legislation

The House Ways and Means Committee is set to unveil major tax legislation - as soon as this week - that could have a profound impact on the nonprofit sector. At this time, however, it is unclear what, if any, specific provisions impacting nonprofits will be included and whether these provisions will bolster or harm these vital institutions. Nonprofit organizations should consider contacting their Republican members of Congress over the next few weeks to urge them to protect and expand tax incentives for charitable giving, avoid using new or increased taxes or fees on nonprofit organizations as a “pay-for” for the tax bill, and ensure stability. NCN is closely monitoring the process and will remain vigilant in protecting the nonprofit sector.

By using the “budget reconciliation” process, policymakers can enact significant policy changes - impacting taxes and safety net programs, including as the Supplemental Nutrition Assistance Program (SNAP) and Medicaid - with only a simple majority in the House and Senate. Congressional Republicans are aiming for

final passage for their tax bill by summer 2025, although internal disagreement among members of Congress are already causing delays.

Worth Quoting

On the Threat to Harvard's Nonprofit Status

- “President Trump’s latest threat directed at Harvard University is a dangerous abuse of executive authority that sets a chilling precedent.”

— Diane Yentel, President and CEO of the National Council of Nonprofits, [Harvard’s Tax Exempt Status Will Be Revoked, Trump Says. It Won’t Be Easy to Follow Through.](#), *Barron's*, May 2, 2025.

Worth Reading

- [President Trump Proposes to Slash Funding for Domestic Programs in FY2026](#), National Council of Nonprofits, May 2, 2025.
 - [Layoffs, closures and gaps in oversight expected after hundreds of DOJ grants are canceled](#), Jack Brook and Claudia Lauer, *Associated Press*, Apr. 29, 2025.
 - [How Federal Funding Cuts to AmeriCorps Will Sever the Lifelines of Tennessee Nonprofits and Communities](#), Dr. Kevin Dean, Tennessee Nonprofit Network, Apr. 28, 2025.
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Executive Order Possibly Targeting Nonprofit Nonpartisanship

Last week, the Administration issued an Executive Order, [Establishment of the Religious Liberty Commission](#), that could build support for eliminating [nonprofit nonpartisanship](#) under the Johnson Amendment. The Order creates a 14-person Commission, tasked with recommending executive or legislative actions to promote religious liberty. The first topic listed for consideration is “the First Amendment rights of pastors, religious leaders, houses of worship, faith-based institutions, and religious speakers,” a sign the Administration may be interested in eliminating the Johnson Amendment, which requires charitable nonprofits to be nonpartisan. In his

first term, President Trump sought to weaken the requirement for nonpartisanship in the 2017 tax law and in an [executive order](#). NCN strongly opposes any elimination or weakening of nonprofit nonpartisanship or the Johnson Amendment. Federal law under Section 501(c)(3) of the Internal Revenue Code remains in effect and protects nonprofits from partisans attempting to use charitable nonprofits and charitable donations to support or oppose candidates for public office.

[Read about Chart of Executive Orders](#)

Chart of Executive Orders

In an effort to aid the swift analysis of the recent executive orders, we have crafted a chart of the most pertinent executive orders, expected impacts, and related actions that we will be updating regularly.

[Read about Myth v. Reality: Executive Branch Lacks Authority to Target Nonprofit Organizations](#)

Myth v. Reality: Executive Branch Lacks Authority to Target Nonprofit Organizations

The truth behind what the Executive Branch can and can not do to targeted nonprofit organizations.

[Read about A Nonprofit Checklist: What to Do When Your Federal Grant or Contract is Terminated](#)

A Nonprofit Checklist: What to Do When Your Federal Grant or Contract is Terminated

Initial steps that nonprofits should engage in when they learn that their federal grant or contract is terminated by a federal agency.

Worth Quoting

On Nonprofit Advocacy

- “We can’t stay silent. This is a time I truly believe our kids, our grandkids, they’re going to ask us what we did...I don’t think complacency is a correct answer.”

— U.S. Representative Morgan McGarvey (R-KY) in [‘We can’t stay silent’: McGarvey tells Ky nonprofits to push Congress](#), Brea Jones, *Louisville Public Media*, Apr. 24, 2025.

- “Lawmakers can dismiss hired lobbyists or representatives from national organizations. But if approached by a beloved local charitable organization, lawmakers will listen and act to protect it from harm.”

— Steve Taylor, [‘Five Alarm Fire’: How New Tax Law Could Decimate Nonprofits - and What Can Be Done](#), *Chronicle of Philanthropy*, Apr. 23, 2025.

Federal FastView

- **Investigation Request into Threats to Harvard's Nonprofit Status:** Senate Minority Leader Schumer (D-NY), Senate Finance Committee Ranking Member Wyden (D-OR), Senate Banking Committee Ranking Member Warren (D-MA), and Senator Markey (D-MA) sent a [letter](#) to the Treasury Inspector General, urging an investigation into reports that the Internal Revenue Service (IRS), at the direction of President Trump, is considering revoking Harvard University's nonprofit status. Raising concerns about small nonprofits without the resources to challenge Administrative actions, the letter states, "Church groups, hospitals, health clinics, or food banks could be next. If the President is able to successfully target Harvard’s tax-exemption, anyone could be next."
- **DOJ Grant Cuts:** Last month, the Department of Justice’s Office of Justice Programs [notified grantees](#) that it was canceling 365 grants across the country, estimated at more than \$800 million. Grants supported community-based programs to prevent hate crimes, youth violence, financial exploitation of vulnerable older adults, injury and death of missing persons with dementia and developmental disabilities, among many other vital services. Although [some funding](#) for certain organizations was later restored, the majority were informed their programs no longer “effectuate[d]” department priorities. Grantees have 30 days to appeal.

- **Additional AmeriCorps Cuts:** Last week, the Administration terminated nearly \$400 million in AmeriCorps grants in a second round of cuts to the program. The terminations “will shutter more than 1,000 programs and prematurely end the service of over 32,000 AmeriCorps members and AmeriCorps Seniors volunteers,” according to [America's Service Commissions](#) (ASC). Programs meet critical community needs in education, nutrition, affordable housing, public safety, mental health, and many other areas. AmeriCorps has a history of [strong bipartisan support](#) and provides a robust return on investment: about \$34 per federal dollar invested.
 - **Schedule B Disclosure Legislation:** Last month, Representative Gosar (R-AZ) introduced the Putting Trust in Transparency Act ([H.R. 2841](#)) to require charitable nonprofits receiving federal funding to make public their list of donors on Schedule B of IRS Form 990. The bill would require the Internal Revenue Service to automatically revoke the tax-exempt status of nonprofits receiving federal funding that do not include Schedule B on their Forms 990 within 60 days of receiving notice from the IRS of failure to file Schedule B. Under current law, charitable nonprofits, regardless of their funding sources, are not required to make public Schedule B. NCN generally supports reasonable private disclosures to law enforcement for oversight and transparency purposes but opposes public disclosures that could subject donors to harassment (or worse) from people who disagree with their missions.
 - **Donor-Advised Funds (DAFs) Legislation:** Last month, Representatives Smith (R-NE) and Panetta (D-CA), who serve on the House Ways & Means Committee, introduced the bipartisan IRA Charitable Rollover Facilitation and Enhancement Act of 2025 ([H.R. 2891](#)). If enacted, it would amend the Internal Revenue Code to [repeal a restriction](#) that does not allow donors to make Qualified Charitable Distributions, specifically using an Individual Retirement Account Charitable Rollover, to DAFs.
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Worth Quoting

On Public Service Loan Forgiveness

- “It is in the best interest of students and taxpayers that the Administration enforce the current rules and regulations under the PSLF program, rather than rewriting these rules to restrict eligibility for certain types of charitable

nonprofit organization.”

—Diane Yentel, President and CEO, National Council of Nonprofits, [Comments to the Department of Education](#), Apr. 30, 2025.

On AmeriCorps

- “We are concerned that a significant permanent reduction in AmeriCorps staff could reduce critical community services, from education and disaster relief to public health support, especially in underserved and rural areas.”

— [Habitat for Humanity International Statement](#), Apr. 17, 2025.

State and Local

Advancing Government Grants and Contracting Reforms

One of the ongoing challenges for charitable nonprofits is accessing, managing, and reporting on grants and contracts. State associations of nonprofits are being called upon to help address the scope of the challenge, and governments are advancing solutions to strengthen partnerships with nonprofits.

- **Minnesota:** An amendment to the state [budget bill](#) would create the Task Force on Best Legislative Practices for Appropriating Money for Grants to develop recommendations to the legislature. Recommendations would include best practices for appropriating money for grants and when services could be best procured through a contracting process. The [Minnesota Council of Nonprofits](#), the state association of nonprofits, would appoint one member of the Task Force.
- **New York City:** The Mayor announced that nonprofits with contracts with the city will receive more than [\\$5 billion in advance payments](#) in Fiscal Year 2026, a significant increase from the \$2.8 billion to date during the current fiscal year. Other city agencies are working to clear their backlogs and close out payments to ensure nonprofits can provide services with fewer disruptions.

- **Oregon:** The **Nonprofit Association of Oregon**, in partnership with the Coalition of Communities of Color, released a study on human service [nonprofit wage disparities](#) in the state. Their research found four conditions that contribute to this disparity: “1) rigid applications and contract requirements, 2) restrictive allocation of funds do not reflect true costs, 3) nonprofit wages compete with government wages, and 4) uncertainty and delays in contracting, reimbursements, and future funding.” Some recommendations include standardizing requests for proposals, creating a government-affiliated office to support nonprofits with grants and contracts, and establishing a living wage standard.
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Worth Quoting

On Funding

- “To our knowledge, **Hawai`i** stands as the first and only state to take such extraordinary legislative action to shore up nonprofit funding in direct response to the impacts of the new Federal Administration. This commitment is a powerful testament to the remarkable and irreplaceable work that nonprofits perform across Hawai`i.”

— Melissa Miyashiro, President and CEO of the **Hawai`i Alliance of Nonprofit Organizations**, Apr. 30, 2025, [press release](#) applauding the passage of \$50 million in critical grant-in-aid funding to support nonprofits amid unprecedented federal funding uncertainty.
- “There have been financial stresses and budget cuts before... But now it’s not only financial stress, it’s direct targeting of their very existence and challenges to the values that are at the core of a lot of their work.”

— Geoff Green, CEO of **CalNonprofits**, [Fight or flight? Some California nonprofits won’t remain silent in face of Trump budget slashing](#), James Rainey, *The Los Angeles Times*, Apr. 24, 2025, responding to federal funding cuts and targeting.
- “We’re all for eliminating waste, fraud, and abuse, but those conversations need to be had with care, with planful action and with communication around

the 'what' and the 'why' and the 'how.'"

— Adam Jespersen, Executive Director of **Montana Nonprofit Association**, [Federal funding cuts could hit Montana harder than other states, says report](#), *Public News Service*, Apr. 22, 2025, explaining that "even micro-reductions [of federal funding] would have dramatic impacts."

Tax Legislation in the States

Several states are considering and passing tax legislation that would impact charitable nonprofit operations. **Idaho**'s Governor signed a bill that [removes property tax exemption](#) for certain nonprofit hospital property that is used for business purposes not directly related to its exempt purposes. Lawmakers are considering a new bill in **Maine** to allow municipalities to impose an [annual service charge on tax-exempt property](#). Charges would be calculated based on actual costs of providing municipal services to that property and the people who use it. Pending legislation in **Minnesota** would levy an [excise tax](#) of up to 25% on the endowments of larger educational institutions. The revenues would be paid into a new Higher Education Assets Growth Account and used to provide financial assistance to students from low- and middle-income families.

Worth Reading

- [Connecticut Nonprofits Warn of Closures, Call For Immediate State Funding Relief](#), Karla Ciaglo, *CT News Junkie*, Apr. 30, 2025.
 - [2025 Tax Cuts Tracker](#), Tax Policy Center, Apr. 29, 2025.
 - [Can a President revoke a nonprofit's tax-exempt status?](#), Minnesota Council of Nonprofits.
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Nonprofit Advocacy Events

May is

- Mental Health Awareness Month
- Asian American, Native Hawaiian, and Pacific Islander Heritage Month

- National Foster Care Month
 - Public Service Recognition Week: May 4 – 10
-

Numbers in the News

-8.9%

The decrease in the number of donors who donated between \$1 and \$100, suggesting that nonprofit organizations have a “smaller base of donors to develop or cultivate longer term relationships.”

Source: [Quarterly Fundraising Report](#), Fundraising Effectiveness Project, Apr. 25, 2025.

6.5 months

The average time it took for seven New York City agencies to issue the first payment to nonprofit human service providers in Fiscal Year 2024, according to findings from the NYC Comptroller. At five agencies, “that figure was over a year.”

Source: [Nonprofit, Nonpayment: An Analysis of Payment Delays for the City’s Human Service Contractors](#), Office of the New York City Comptroller, Apr. 29, 2025.

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