

Nonprofit Tax Update 2025: What’s In, What’s Out, What It Means

Non-Profits Taxes	What Changed	What It Means for You
	1% Floor on Corporate Giving (Section 70426)	Corporations can only deduct charitable donations that exceed 1% of their taxable income. This may reduce how much businesses give to nonprofits.
	Limits on High-Income Donors (Section 70111)	For individuals in the 37% tax bracket, the value of their charitable deduction is capped at 2/37 (about 5.4%) of their income. If they also claim state and local tax deductions, the cap drops to 5/37 (about 13.5%). This reduces the tax benefit for wealthy donors.
	0.5% Floor for Itemizers (Section 70425)	People who itemize must give at least 0.5% of their income to claim a charitable deduction. This could discourage smaller donations.
	Universal Charitable Deduction (Section 70424)	A permanent deduction of up to \$1,000 for individuals and \$2,000 for couples is now available for the approximately 80% of tax filers who don’t itemize. Nonprofits support this but want the deduction amount increased.
	Estate and Gift Tax Exemption (Section 70106)	The exemption is raised to \$15 million for individuals and \$30 million for couples, starting in 2026. This may reduce charitable bequests in wills.
	Excise Tax on High Nonprofit Salaries (Section 70416)	A 21% tax applies to nonprofits that pay OR have paid any employee (current or former since December 31, 2016) over \$1 million. This affects only a few organizations but could reduce funds for services.
	No New Tax on Foundations	The final law does not include a proposed excise tax on private foundations, which would have increased their financial burden and potentially reduced grantmaking capacity.
	No Tax on Transportation Benefits for Nonprofit Employers	A proposed tax on nonprofit employers for providing transportation-related fringe benefits (e.g., parking, transit passes) to employees was not included in the final legislation.
	No 10% Administrative Fee on Combined Federal Campaign Contributions	The bill does not impose a 10% administrative fee on donations made through the Combined Federal Campaign (CFC), preserving the full value of contributions to participating charities.
	No Executive Authority to Revoke Nonprofit Status Without Due Process	A controversial provision that would have allowed the executive branch to unilaterally revoke a nonprofit’s tax-exempt status without due process was excluded from the final law.