

Title: Surprises and Opportunities for Nonprofits in Massive New Tax Bill

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Summary: The United States Congress has cast its vote in favor of “The One Big, Beautiful Bill” (OB BB), a sweeping tax reform initiative designed to overhaul the U.S. tax code.

This legislation encompasses a myriad of tax provisions, including making several existing measures permanent, the repeal and modification of various others, and the introduction of new tax provisions.

Learn more about this Bill's key takeaways for exempt organizations.

Authors:

[Joshua D. Headley](#)

[202 452 6055](#)

joshua.headley@bipc.com

[Edward G. Hild](#)

[202 452 5480](#)

edward.hild@bipc.com

[Carly C. Barnes](#)

[412 562 1536](#)

carly.barnes@bipc.com

[Emily L. Crim](#)

[202 452 7938](#)

emily.crim@bipc.com

Article: The United States Congress has cast its vote in favor of “The One Big, Beautiful Bill” (OB BB), a sweeping tax reform initiative designed to overhaul the U.S. tax code. This legislation encompasses a myriad of tax provisions, including making several existing measures permanent, the repeal and modification of various others, and the introduction of new tax provisions. After extensive deliberations and negotiations among Republican lawmakers over the past several months, a consensus was ultimately reached on a version that garnered the necessary support to pass both the House of Representatives and the Senate. President Donald J. Trump is poised to sign the OB BB into law imminently.

The following is a high-level summary of certain key provisions relating to tax exempt organizations:

1. New Rate Structure for Private College/University “Endowment Tax”

The excise tax on net investment income, applicable to certain private colleges and universities, is replaced with a new tiered system, based on an institution’s “student-adjusted endowment,” as follows:

Student-Adjusted Endowment	Excise Tax Rate
\$500,000 - \$749,999	1.4%
\$750,000 - \$1,999,999	4%
\$2,000,000+	8%

2. Expansion of Excess Compensation Tax

The 21% excess compensation excise tax, currently imposed on compensation of more than \$1 million paid by nonprofits to their five highest compensated employees, is expanded to apply to all current (and former) employees.

3. New Limit on Charitable Deduction for Itemizers

The deduction for individual charitable contributions is now limited to contributions in excess of 0.5 percent of an individual's taxable income. This essentially creates a new "floor" for the charitable deduction.

4. New Limit on Charitable Deduction for Corporations

The deduction for corporate charitable contributions is now limited to contributions in excess of one percent of a corporation's taxable income. Similar to the new individual limit, this creates a new "floor" for the charitable deduction.

5. New Charitable Deduction for Non-Itemizers

A new charitable income tax deduction is created for non-itemizing taxpayers, allowing deductions of up to \$1,000 for single filers and \$2,000 for married couples filing jointly.

6. New Income Tax Credit for Contributions to Scholarship Awarding Charities

A new income tax credit is created for charitable contributions made, in cash, to "scholarship granting organizations," generally defined as tax-exempt organizations that provide scholarships to elementary and secondary school students. Notably, the credit allowed to a taxpayer is limited to \$1,700. Students who benefit from the scholarships must be members of a household with an income not greater than 300 percent of their area's median gross income (determined by the Department of Housing and Urban Development) and be eligible to enroll in a public elementary or secondary school.

7. Whaling Boat Captains Rejoice

Notable only as a classic example of “pork barrel politics,” Senator Lisa Murkowski of Alaska, a key holdout during passage of the legislation, was able to obtain a concession that, presumably, is of some import to her constituents: an increase in the maximum deduction applicable to expenses associated with traditional, subsistence bowhead whale hunts, from \$10,000 to \$50,000.

8. Now What?

Once the OBBB is signed into law by President Trump, the next step will be implementation. Buchanan’s attorneys and government relations professionals will continue to monitor and provide additional analysis on the implementation of the OBBB, as well as personalized guidance on navigating the complexities of the new tax provisions for exempt organizations. Look for additional client advisories on the impact of the OBBB. For additional information, please contact Nonprofit Organizations Practice Group Leader [Joshua D. Headley](mailto:joshua.headley@bipc.com) (joshua.headley@bipc.com) or Government Relations Principal [Edward Hild](mailto:edward.hild@bipc.com) (edward.hild@bipc.com).