May 20, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Majority Leader Thune and Speaker Johnson:

As the House prepares to vote on the "The One, Big, Beautiful Bill" and the Senate prepares to consider this package, we write to express very strong concerns that this bill relies on nearly $50 billion in new and increased taxes on the charitable and philanthropic sector to pay for other tax cuts.

On behalf of The Nonprofit Alliance, United Philanthropy Forum, the Association of Fundraising Professionals, and Charity Navigator that collectively represent tens of thousands of local and national nonprofits, the largest and most diverse network in American philanthropy that connects over 7,000 Foundations, 150 private firms that work alongside nonprofits toward a shared purpose of public engagement and mission, and serve a leadership role in maintaining standards of accountability, transparency, and fiscal responsibility for charitable organizations, the cumulative negative impact of these proposals on the charitable and philanthropic sector cannot be overstated.

Before discussing the areas of deep concern in the bill, the one provision that will directly help charities included in the bill (Sec. 110112) is based on the bipartisan Charitable Act (H.R. 801). It would restore the above-the-line charitable deduction for non-itemizers. This is a key step towards reversing the steep decline of smaller donations from lower and middle-income Americans, and we thank you for its inclusion. A recent economic analysis by Capitol Policy Analytics conducted by former economists at Senate Finance Committee, Office of Tax Analysis in Treasury, and Congressional Joint Economic Committee, estimates that the full proposal contained in H.R. 801 would generate $40 billion more annually for charities. We look forward to collaborating with you throughout the process to further expand this giving incentive that has a proven record of working.

In outlining the specific provisions of concern, one must understand the context of giving and current health of the sector. Federal funding cuts this year have directly resulted in more than 14,000 job losses among nonprofits since January, according to the *Chronicle of Philanthropy*. While the whole nonprofit sector is being impacted, there are certain types of nonprofits that rely primarily on federal grant dollars to deliver essential social services – particularly those addressing basic needs, public safety, and vulnerable populations. These organizations, including domestic violence shelters, homeless services and housing assistance providers, substance use treatment providers, child advocacy centers, food banks, and legal aid organizations, are being asked to diversify their funding and reduce reliance on public dollars to carry out their missions. Yet, this bill would directly reduce the incentive for companies, foundations, and high-net worth donors to give to charities.

Many allies have already expressed deep alarm with the inclusion of language (Sec. 112209) granting Treasury unprecedented authority to unilaterally revoke nonprofit tax-exempt status without due process. While this language is not in the version approved by the Budget Committee, we strongly urge Leadership to not add this section back to the final bill. While the nonprofit sector unequivocally opposes terrorism, this authority could allow any current or future Administration to arbitrarily harm nonprofit organizations on ideological grounds rather than in response to genuine threats.

Our strong tax-related concerns:

- **Tiered Excise Tax on Private Foundations:** The proposed progressive excise tax structure on net investment income (Sec. 112022), ranging from 1.39% for foundations with less than $50 million in assets to 10% for those with over $5 billion, would significantly reduce grantmaking capacity, particularly from larger foundations, and may discourage new endowed philanthropy, diverting billions of dollars from charitable purposes to the federal government.

  Analysis of recent tax data shows the foundation excise tax changes alone would increase taxes on private foundations from $805 million to $3.71 billion annually—a dramatic $2.90 billion increase that would otherwise support charitable work. As an example, in Michigan, that would amount to about $60 million less funding for nonprofits providing essential services like food banks, health clinics, educational programs, and arts and culture.

  Foundations, which are responsible for 21% of total giving, are vital sources of support for charitable causes. Limiting their ability to fulfill this role would place greater pressure on governments at all levels to meet community needs.

- **Additional Concerning Provisions:** Other problematic elements include excise taxes on college endowments (Sec. 112021) that will impact student aid available, a 1% floor for corporate charitable deductions (Sec. 112028) that may disincentivize smaller-scale corporate giving, and provisions (Sec. 110011) to reduce incentives for larger charitable gifts.

  Corporate Giving: The disincentive for charitable giving by companies will negatively impact special event fundraisers and small, community-based nonprofits. While corporations make up only six percent of total charitable giving, this kind of giving should be encouraged. Instead, this change would put corporate giving at risk, especially from businesses making in-kind or cash donations under the current deduction model.

  Cash Donations: Finally, individuals are responsible for 64% of total giving. The bill omits an extension of the increased limit for cash donations to public charities, which has been set at 60% of Adjusted Gross Income (AGI) since TJCA. By being silent, the bill allows the 60% limit to expire and revert to 50% of AGI. Between this reversion and capping the value of itemized deductions at $0.35 per dollar for individuals in the top tax bracket, these policies potentially disincentivize major charitable gifts. According to new data from Association of Fundraising Professionals Foundation for Philanthropy and GivingTuesday's Fundraising Effectiveness Project, over half of all charitable dollars in 2024 came from "supersize" donors giving $50,000 or more. Again, while these changes in the bill may be seen as significant revenue-raisers in the short term, these could have severe consequences for local and national nonprofits.

Our Request

We ask that Congress move forward by strengthening nonprofits through the adoption of an above-the-line tax deduction, while removing those provisions which clearly will harm nonprofits whose work is vital to individuals and communities in need across the country. Again, these proposals come at a particularly challenging time for charities looking to diversify funding with more individual, corporate, and foundation giving while reducing reliance on federal grants and contracts.

The nonprofit sector plays an essential role in addressing critical needs, fostering innovation, and building stronger communities. As you finalize this legislation, we urge you to consider the vital contributions nonprofits make to our society and to ensure that tax policy supports, rather than hinders, this important work.

We remain committed to working with Congress and the Administration to expand the charitable deduction for non-itemizers while addressing these concerning elements. We welcome the opportunity to discuss these issues further and to collaborate on solutions that will enable nonprofits to continue serving our communities effectively.

Sincerely,

Shannon McCracken
President & CEO
The Nonprofit Alliance

Deborah Aubert Thomas
President & CEO
United Philanthropy Forum

H. Art Taylor
President & CEO
Association of Fundraising Professionals

Michael Thatcher
President & CEO
Charity Navigator

cc: Minority Leader Charles Schumer and Minority Leader Hakeem Jeffries