Tax Provisions in House-Passed and Senate-Passed Reconciliation Legislation Impacting the Charitable Sector

Item	House-passed	Senate-passed	Notes and Status
Tax rates, standard deduction, and personal exemption	(Section 110001 – 110003) Permanently extends the reduced tax rates, increased standard deduction, and eliminated personal exemption established in 2017. Temporarily increases the standard deduction by $1,000 for single filers and $2,000 for married filers from 2025-2028. Rate brackets and standard deduction adjusted for inflation.	(Section 70101 – 70103) Permanently extends the reduced tax rates, increased standard deduction, and eliminated personal exemption established in 2017. Permanently increases the standard deduction by $1,000 for single filers and $2,000 for married filers. Rate brackets and standard deduction adjusted for inflation.	The 2017 law dramatically reduced the number of taxpayers who itemize their taxes. Research has found that these changes reduced charitable giving by roughly $16 billion per year.
Estate and gift tax	(Section 110006) Permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers, $30 million for married filing jointly.	(Section 70106) Permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers, $30 million for married filing jointly.	Prior experience shows that the estate tax spurs charitable giving. When it was temporarily repealed in 2010, gross charitable bequests declined by 37 percent.
Limit on benefit of itemized deductions	(Section 110011) Permanently repeals an overall reduction in itemized deductions that was scheduled to return in 2026 – sometimes called the "Pease limitation." Creates a new 32% limit on the value of the state and local tax deduction and a 35% limit on the value of other itemized deductions, including charitable contributions, for taxpayers whose taxable income exceeds the income levels for the top (37%) bracket before considering itemized deductions.	(Section 70111) Permanently repeals an overall reduction in itemized deductions that was scheduled to return in 2026 – sometimes called the "Pease limitation." Creates a new 35% limit on the value of all itemized deductions, including charitable contributions, for taxpayers whose taxable income exceeds the income levels for the top (37%) bracket before considering itemized deductions.	Impacts taxpayers with taxable income before itemized deductions of over $639K individually, $767K married. Research from the Lilly Family School of Philanthropy at Indiana University shows this limit could eliminate at least $4.1-$6.1 billion in giving per year.

Employer provided child care credit	(Section 110105) Permanently increases the employer-provided child care credit rate to 40% of expenses with a maximum credit of $500,000 per year. Increases the rate and maximum for small businesses to 50% and $600,000 per year. Indexes the maximum amounts for inflation.	(Section 70401) Permanently increases the employer-provided child care credit rate to 40% of expenses with a maximum credit of $500,000 per year. Increases the rate and maximum for small businesses to 50% and $600,000 per year. Indexes the maximum amounts for inflation.	Continues to exclude nonprofit employers because it is structured as an income tax credit. Including nonprofit employers could cost just $1 million per year.
Paid family and medical leave credit	(Section 110106) Permanently extends the paid family and medical leave credit, which ranges from 12.5 to 25 percent of wages paid to employees on leave. Expands the credit to include paid family leave insurance premiums.	(Section 70304) Permanently extends the paid family and medical leave credit, which ranges from 12.5 to 25 percent of wages paid to employees on leave. Expands the credit to include paid family leave insurance premiums.	Continues to exclude nonprofit employers because it is structured as an income tax credit. Including nonprofit employers could cost just $5-6 million per year.
Tax credit for contributions to scholarship granting organizations	(Section 110109) Creates a new 100% tax credit for contributions to organizations that provide scholarships to elementary and secondary school students. The credit exists for years 2026-2029, with an overall volume cap starting at $5 billion per year and each taxpayer limited to 10% of adjusted gross income.	(Section 70411) Creates a new 100% tax credit for contributions of cash to organizations that provide scholarships to elementary and secondary school students. The credit exists beginning in 2027, with each taxpayer limited to a maximum of $1,700. No overall volume cap.	The Senate version does not allow for donations of stock or other appreciated assets, which could have allowed some donors to profit from their donation.
Nonitemizer charitable deduction	(Section 110112) Restores the expired nonitemizer charitable deduction for 2025 – 2028 at a reduced limit of $150 for individuals and $300 for married couples filing jointly. Maintains requirement that donations be made in cash to a qualifying charity, excluding supporting organizations and Donor-Advised Funds.	(Section 70424) Restores the expired nonitemizer charitable deduction permanently at $1,000 for individuals and $2,000 for married couples filing jointly. Maintains requirement that donations be made in cash to a qualifying charity, excluding supporting organizations and Donor-Advised Funds. Adds a .5% of Adjusted Gross Income (AGI) floor for taxpayers who itemize their deductions in Section 70425.	Research has not yet conclusively indicated whether the combination of a permanent nonitemizer deduction and a permanent itemizer floor will increase or decrease charitable giving overall.

60% AGI limit for charitable contributions	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 2017.	(Section 70425) Permanently extends the 60% limit for cash donations to public charities.	If not extended, the limit will revert to 50% of AGI.
Executive compensation tax	(Section 112020) Expands the current 21% excise tax on compensation above $1 million to include all employees at a tax-exempt organization, rather than the top 5 under current law. This is more expansive than the applicability to corporations, for which only the 10 highest paid employees are considered.	(Section 70416) Expands the current 21% excise tax on compensation above $1 million to include all employees at a tax-exempt organization, rather than the top 5 under current law. This is more expansive than the applicability to corporations, for which only the 10 highest paid employees are considered.	AMENDED by House 5/19 to strike "any related person", from covered employees, which could have had overly broad impact. Projected to raise $3.8 billion over 10 years.
Private college and university investment income excise tax	(Section 112021) Expands the current excise tax on net investment income of private college and university endowments with a graduated structure. - $500K - $750K per student: 1.4% tax on investment income - $750K - $1.25M per student: 7%, tax on investment income - $1.25M - $2M per student: 14% tax on investment income - Over $2M per student: 21% tax on investment income	(Section 70415) Expands the current excise tax on net investment income of private college and university endowments with a graduated structure. - $500K - $750K per student: 1.4% tax on investment income - $750K - $1.99M per student: 4%, tax on investment income - $2M and above per student: 8% tax on investment income Increases the threshold for applicability from 500 tuition-paying students to 3,000.	House version is projected to raise $6.7 billion over 10 years. Senate version is projected to raise $761 million over 10 years.
Private foundation investment income excise tax	(Section 112022) Expands the current excise tax on net investment income of private foundations with a graduated structure. - Less than $50M assets: 1.39% tax on investment income - $50M - $250M assets: 2.78%, tax on investment income	Not included	See letter of opposition from 4 sector-spanning organizations. Projected in House to raise $15.9 billion over 10 years.

	- $250M - $5B assets: 5% tax on investment income - Over $5B assets: 10% tax on investment income		
ESOP repurchases and excess business holdings tax	(Section 112023) For purposes of determining the excess business holdings tax for private foundations, treats as outstanding any shares repurchased by a company from a retiring employee who participated in an Employee Stock Ownership Program (ESOP).	Not included	Negligible revenue impact.
Transportation benefits subject to UBIT	(Section 112024) Subjects expenses for transportation fringe benefits and parking facilities to Unrelated Business Income Tax (UBIT). Exempts churches and directs the Secretary to issue guidance on allocations of parking facility costs.	Not included	A similar provision – including churches – was enacted in 2017 and retroactively repealed in 2019. Research showed it would cost an average of $12,000 for each impacted organization.
Name and logo royalties subject to UBIT	W&M Committee draft would have subjected income from any sale or licensing of any organization's name or logo to UBIT.	Not included	STRUCK from the House bill 5/19.
Limiting research income exclusion from UBIT	(Section 112025) Subjects income generated from non-public research to UBIT for organizations operated primarily to provide publicly available research.	Not included	Negligible revenue impact.
Corporate charitable giving floor	(Section 112027) Applies a "floor" to charitable contributions made by corporations, equal to 1% of taxable income. Donations that are disallowed by this provision can only be carried forward	(Section 70426) Applies a "floor" to charitable contributions made by corporations, equal to 1% of taxable income. Donations that are disallowed by this provision can only be carried forward	Projected to raise $16.6 billion over 10 years. New Ernst & Young research indicates this provision could reduce

	for corporations that exceed the existing annual limit of 10% of taxable income.	for corporations that exceed the existing annual limit of 10% of taxable income.	corporate giving by $4.5 billion per year.
Employee Retention Tax Credit Enforcement and Termination	(Section 112205) Increases penalties and compliance requirements for ERTC promoters. Prevents the IRS from issuing any additional unpaid claims, unless a claim for such credit or refund was filed on or before January 31, 2024.	(Section 70605) Increases penalties and compliance requirements for ERTC promoters. Prevents the IRS from issuing any additional unpaid claims for the 3rd quarter of 2021 or for a recovery startup business, unless a claim for such credit or refund was filed on or before January 31, 2024.	ERTC was an important lifeline for many organizations, and has faced processing delays and fraud challenges.
Terrorism financing and due process for nonprofit organizations	W&M Committee draft would have granted the Secretary authority to suspend the tax-exempt status of any organization determined to be supporting terrorism, required the organization to prove its innocence within 90 days in most cases, and allowed for appeal after suspension of tax-exempt status.	Not included	STRUCK from the House bill 5/19. See joint statement from 4 sector-spanning organizations in response.