



Tax Provisions in House-Passed Fiscal Year 2026 Budget Reconciliation Legislation Impacting the Charitable Sector

Item	Section	Description	Notes and Status
Tax rates, standard deduction, and personal exemption	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.	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	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	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 When it was temporarily repealed in 2010, gross charitable bequests declined by 37 percent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	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.	Impacts taxpayers with taxable income before itemized deductions of over \$639K individually, \$767K married
Employer provided child care credit	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.	Continues to exclude nonprofit employers because it is structured as an income tax credit
Paid family and medical leave credit	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.	Continues to exclude nonprofit employers because it is structured as an income tax credit

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Tax credit for contributions to scholarship granting organizations	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 cap starting at \$5 billion per year and each taxpayer limited to 10% of adjusted gross income.	In addition to offsetting the full cost of donations to these organizations, taxpayers could avoid capital gains taxes on securities.
Nonitemizer charitable deduction	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.	Echoes a major sector priority – the Charitable Act – at a much lower level.
60% AGI limit for charitable contributions	n/a	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.	By being silent, the bill allows the limit to revert to 50% of AGI.
Executive compensation tax	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.	AMENDED 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	112021	Expands the current excise tax on net investment income of private college and university endowments with a graduated structure. <ul style="list-style-type: none"> - \$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. 	Projected to raise \$6.7 billion over 10 years.
Private foundation investment income excise tax	112022	Expands the current excise tax on net investment income of private foundations with a graduated structure. <ul style="list-style-type: none"> - Less than \$50M assets: 1.39% tax on investment income - \$50M - \$250M assets: 2.78%, tax on investment income - \$250M - \$5B assets: 5% tax on investment income - Over \$5B assets: 10% tax on investment income 	See letter of opposition from 4 sector-spanning organizations. Projected to raise \$15.9 billion over 10 years.

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ESOP repurchases and excess business holdings tax	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).	Negligible revenue impact.
Transportation benefits subject to UBIT	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.	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	n/a	W&M draft would have subjected income from any sale or licensing of any organization’s name or logo to UBIT. Initially projected to raise \$3.8 billion over 10 years.	STRUCK from the bill 5/19.
Limiting research income exclusion from UBIT	112025	Subjects income generated from non-public research to UBIT for organizations operated primarily to provide publicly available research.	Negligible revenue impact.
Corporate charitable giving floor	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 for corporations that exceed the existing annual limit of 10% of taxable income.	Projected to raise \$16.6 billion over 10 years.
Employee Retention Tax Credit Enforcement and Termination	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.	ERTC was an important lifeline for many organizations, and has faced processing delays and fraud challenges.
Terrorism financing and due process for nonprofit organizations	n/a	W&M 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.	STRUCK from the bill 5/19. See joint statement from 4 sector-spanning organizations in response.