



Tax Update

Forvis Mazars, December 9, 2025

Agenda

1. Legislative Updates
2. IRA Energy Tax Credits
3. 501(r) & Community Benefit
4. Reminders



Legislative Update



IRS 2025–2026 Priority Guidance Plan Items Affecting Exempt Organizations

Published September 30, 2025

OBBBA Implementation

- Guidance under §224 regarding deduction for qualified tips, including transition relief.
- Guidance under §225 regarding deduction for qualified overtime compensation, including transition relief.
- Guidance under §25F on the income tax credit for contributions of individuals to scholarship granting organizations.
- Guidance under §529 regarding enhancements to qualified tuition programs.
- Regulations under §4968 regarding excise tax based on investment income of certain private colleges and universities.
- Guidance under §4960 regarding excess compensation paid by applicable tax-exempt organizations, including the expanded definition of “covered employee.”

Section 501(c)(3) Issues

- Guidance on the application of the fundamental public policy against racial discrimination, including consideration of recent caselaw, in determining the eligibility of private schools for recognition of tax-exempt status under §501(c)(3).

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Overview of OBBBA

- Signed into law on July 4, 2025
- Tax and spending provisions that amend and extend the 2017 TCJA
- For nonprofits, key implications relate to charitable giving, excise taxes, and reporting
- Most provisions are effective for taxable years beginning after Dec 31, 2025 with a few exceptions

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Direct Impact on Tax-Exempt Organizations

Executive Compensation Tax (IRC Sec 4960)

- Previously: 21% excise tax applied only to top five highest paid employees
- Now under OBBBA: applies to ALL current and former employees earning over \$1M

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Direct Impacts on Tax-Exempt Organizations

Endowment Excise Tax (private colleges/universities)

- Previously: flat 1.4% tax if at least 500 students and \$500k per-student endowment
- OBBBA: Tiered rates based on student-adjusted endowment with a minimum of 3,000 tuition-paying students (1.4%, 4%, 8%)
- Reporting requirements expanded, *e.g.*, including student loan interest, royalty income, Form 990 data

Per-Student Endowment Size	Tax Rate
\$500,000 - \$750,000	1.4%
\$759,001 - \$2,000,000	4.0%
> \$2,000,000	8.0%

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Donor-Centric Changes: Charitable Giving Dynamics

Above-the-Line Deduction for Non-Itemizers

- Individuals can deduct up to:
 - \$1,000 (single filers)
 - \$2,000 (married filing jointly)
- Applies to cash donations to 501(c)(3) public charities (does not apply to donor advised funds)

New Deduction Floors

- Individuals who itemize: must exceed 0.5% of AGI in charitable giving to deduct
- Corporations: must exceed 1% of taxable income for contributions to be deductible; existing 10% cap remains, with carryforwards allowed

Deduction Limits & Caps

- Individual itemizers: 60% AGI limit on cash gifts made permanent
- High income taxpayers: itemized deductions (including charitable) limited to 35% deduction rate, even if taxed at 37% bracket

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Individual “Above the Line” Deductions

- No tax on tips
 - Up to a \$25,000 deduction of qualified tips
- No tax on overtime
 - Up to a \$12,500 (individual) or \$25,000 (MFJ) deduction of qualified overtime compensation
- Effective for tax years 2025–2028
- Subject to income phase-outs (\$150,000 individual or \$300,000 MFJ)
- Employers are still required to report the income and withhold

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Scholarship-Granting Organization (SGO) Tax Credit

- Starting 2027, individuals receive 100% tax credit on qualified contributions up to \$1,700 annually to SGOs that meet specific criteria
- Helpful to encourage donor contributions via educated messaging
- States must elect to be part of the program for taxpayers to be eligible

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Reporting & Administrative Changes

1099 Threshold Raised

Reporting threshold for Forms 1099-MISC and NEC raised from \$600 to \$2,000, effective in 2026, with inflation-indexed adjustments

Educational Assistance

- Permanent expansion of educational assistance paid by employers
- \$5,250 employee education assistance deduction
- Indexes for inflation

Navigating OBBBA & Key Tax Issues for Exempt Organizations

OBBBA: Missed the Cut

Research

- OBBBA did not increase the inclusion of UBI for non-public research income

Parking/Subsidized Benefits

- Proposed taxation on fringe benefits, *i.e.*, parking lot, was removed from the final law

Royalty Income

- Royalty income continues to be excluded from UBI

Navigating OBBBA & Key Tax Issues for Exempt Organizations

Strategic Takeaways

- **Fundraising Messaging**

- Emphasize new above-the-line deduction for non-itemizers
- Support donor "bunching" campaigns to surpass deduction floors.

- **Corporate Collaborations**

- Educate corporate donors about the 1% floor and plan giving accordingly

- **Compensation Planning**

- Review executive pay and severance policies to mitigate Section 4960 exposure

- **SGO Engagement**

- Partner with or promote SGOs now to leverage upcoming tax credits

- **Compliance & Reporting Readiness**

- Adjust systems for the new 1099 thresholds and Form 990 disclosures

- **Planned Giving & Legacy**

- Leverage higher estate/gift exemptions to include nonprofits in estate plans
- Consider implications on SALT changes on donor behavior

IRA Clean Energy Credits



IRA Clean Energy Credits

Changes From OBBBA

Summary

- Full repeal of many credits
- Adjustments or accelerations of phaseouts to other credits
- Adds provisions to disallow credits for taxpayers deemed to be “specified foreign entities” or foreign influenced entities (or those involved with them in specific ways)

Credits Terminated

- Sections 25E, 30D, and 45W (clean vehicle credits) terminated for vehicles after September 30, 2025
- Section 30C (Alternative Fuel Vehicle Refueling Property Credit) terminated for property placed in service after June 30, 2026
- Sections 25C and 25D (home credits) terminated for property placed in service after December 31, 2025
- 179D repealed for projects starting construction after June 30, 2026

IRA Clean Energy Credits

Production & Investment Tax Credit Sections 45Y & 48E

Solar and Wind Projects

- Projects that begin construction within 12 months after date of enactment (by July 4, 2026) must be placed in service by end of 2030
- Projects that begin construction 12+ months after date of enactment must be placed in service by end of 2027 to claim a credit
- Foreign entity restrictions on materials used after December 31, 2025

Other Energy Projects (not solar or wind)

- Examples are battery storage, geothermal heat pumps, etc.
- Construction must begin before 2034 to claim the full credit
- Phase down of credit in 2034 with complete elimination in 2036

Transferability allowed

- Only change is cannot transfer to a foreign prohibited entity

501r & Community Benefit



Reminders Website

Are the following items still on the hospital's website?

- Plain Language Summary
- Financial Assistance Policy
 - Provider Lists (Covered & Noncovered)
 - AGB Calculation (If Applicable)
- FAP Application
- CHNA (Most Recent One)
- CHNA (Prior One)



Reminders

Update Documents

- Update AGB calculation yearly (if using look-back method)
 - Must be completed by the 120th day after year-end
- Update covered & noncovered provider lists
 - At least quarterly (include date stamp)
- Complete CHNA & have it adopted by the board
 - Every 3 years by tax year-end
 - Save board minutes with the documentation of approval
- Complete implementation strategy & have it adopted by board



Reminders

Translation

- FAP, FAP Application, & PLS must be translated to accommodate limited English proficient (LEP) individuals, for any language spoken by each LEP group that constitutes the lesser of 1,000 individuals or 5% of the community served by the hospital
- Retain documentation for this analysis
- PLS needs to state the availability of translations
- Translated documents need to be on the website



Community Benefit Standard Under 501(r)



- Renewed focus by Congress, the media, & other stakeholders
- IRS Focus – 35 hospital audits
- Value of tax-exemption compared to the amount of community benefit provided
- Calling for enhancements to Schedule H of Form 990

Community Benefit Schedule H

Items to consider

- Are you capturing everything?
- Involve more than the tax team
- Calculate semi-annually or quarterly
- Is your FAP requirements meeting the needs?

Reminders



Reminders

UBI Study

- Evaluate revenue streams

501r Study

- Compliance with regulations

Compensation

- Deferred Compensation Plans
- Severance agreements

Contact

Forvis Mazars

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by Forvis Mazars or the author(s) as to any individual situation as situations are fact-specific. The reader should perform their own analysis and form their own conclusions regarding any specific situation. Further, the author(s)' conclusions may be revised without notice with or without changes in industry information and legal authorities.

© 2025 Forvis Mazars, LLP. All rights reserved.