



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
- OBBA: 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

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