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Nonprofit Champion | December 16, 2024

Free Webinar Series

What Nonprofits Need to Know Before the Tax Debate Begins

Tax policy was guaranteed to be a top agenda item for Congress in 2025 even before the election results were counted. Trillions of dollars in tax breaks expire at the end of the year and business and other special interests have long wish lists. The charitable sector can benefit from potential reforms, be used as revenue sources to pay for tax cuts for others, or a bit of both. This two-part webinar series is dedicated to explaining what charitable nonprofits need to know **before** the 2025 tax debate begins.

The 2017 Tax Debate Experience and Budget Reconciliation

Thursday, January 9, 2025 | 4:00 – 5:00 pm Eastern

The results of the 2017 tax law were mostly negative for charitable nonprofits, but significant ground has been gained in the ensuing seven years. The process that Congress will use to pass tax legislation in 2025 is complicated and the advantage goes to the advocates who know the rules. This webinar will focus on lessons learned from and since 2017 and on the rules governing the 2025 debate.

[Register Now](#)

Hot Tax Issues in 2025 and Nonprofit Priorities

Thursday, January 16, 2025 | 4:00 – 5:00 pm Eastern

Charitable nonprofits will be defending key protections and rights, like nonprofit nonpartisanship and charitable giving incentives, while advocating for improved incentives, streamlined employment tax credits, and more. Panelists will address the common and unique priorities of several subsectors.

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Federal

Congress' End Game is Near

The plan by congressional leaders for the week is to adjourn after passing another stop-gap spending bill which is expected to also include disaster relief funding and extension of the farm bill. Each of those accomplishments raises several doubts as to duration and depth. Negotiators over the massive spending bill reportedly were still trading offers Sunday afternoon. The next short-term bill, known as a “continuing resolution,” is expected to run into March 2025, but the end-date is currently unknown. The package likely will include tens of billions in assistance to communities impacted by recent natural disasters, including Hurricanes Helene and Milton. A major priority of the charitable sector is [natural disaster tax relief legislation](#) that would incentivize targeted, temporary giving incentives; negotiators have not given indication whether they will heed the call for support from thousands of nonprofit organizations. Finally, an impasse emerged over the weekend on negotiations for billions of dollars in farm aid, causing Republican Representatives to vow opposition to the overall package. All of these challenges likely will be worked

out before the current spending patch expires on Friday.

Worth Reading

- [The Charitable Giving Coalition Applauds Bipartisan Push to Boost Charitable Giving for Hurricane Relief](#), Charitable Giving Coalition, Dec. 11, 2024.
 - [Endorsement of the Hurricane Helene and Milton Tax Relief Act of 2024](#), National Council of Nonprofits, Dec. 2, 2024.
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Addressing Concerns over Anti-Terrorism Bill

Last month, the House narrowly passed the ***Stop Terror-Financing and Tax Penalties on American Hostages Act*** ([H.R. 9495](#)), a bill that targets relief for hostages of terrorism while ostensibly strengthening tools to curb terrorism financing. Many in the charitable nonprofit sector vigorously oppose the legislation out of concern that it would trample due-process rights of organizations accused of violating the law that fails to define what acts would be deemed “supporting terrorism.” Thanks to that advocacy to date, the proponents of the legislation have very few – if any – realistic options for securing enactment of the bill either this year or next; significant procedural burdens and the very slim margins in the House and Senate make passage in its current form virtually impossible. See [National Council of Nonprofits Position on H.R. 9495](#).

Worth Quoting

- "There's certainly been intense reactions to the [Stop Terror-Financing and Tax Penalties on American Hostages Act](#). It's been labeled the 'Nonprofit-Killer Bill' by some. I consider it more the 'Nonprofit-Chiller Bill' designed not to stop terror-financing, but to chill the speech of nonprofits not adequately conforming to the ruling party's agenda."

— Gene Takagi, writing in [H.R. 9495 – Some Definitions](#), *Nonprofit Law Blog*, Dec. 14, 2024.

Worth Watching

- [Bill could strip tax exemptions from nonprofits accused of supporting terrorism](#) (1:37), Jackie DeFusco, *Hearst News Service*, Dec. 1, 2024.
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Federal FastView

- **SCOTUS to Consider UI Religious Exemption:** The U.S. Supreme Court has agreed to [hear a case](#) to determine whether a state unemployment insurance tax system denying certain organizations an [exemption violates the First Amendment](#). The case turns on whether sub-entities of Catholic Charities are “operated primarily for religious purposes” and therefore should qualify for a religious exemption. The State of **Wisconsin** argues that the sub-entities’ activities are not “typical” religious activities meeting religious criteria but rather [secular actions that do not qualify](#) for an exemption from the unemployment insurance law.
- **Senators Urge Nonprofit Hospital Scrutiny:** As a precursor to the 2025 tax debate, Senators Warren (D-MA) and Grassley (R-IA) are urging the IRS to [increase oversight of nonprofit hospitals](#). Specifically, their [letter to IRS Commissioner Werfel](#) points to high medical debt and casts doubt on whether some nonprofit hospitals are providing sufficient charitable benefits to justify their tax-exempt status.

State and Local

State and Local Fiscal Recovery Funds: The Final Countdown

Before logging out for the holidays, charitable nonprofits can make one last push to secure a share of State and Local Fiscal Recovery Funds (SLFRF) from the American Rescue Plan Act. After January 1, all unobligated SLFRF dollars held by state or local governments will be returned to the federal government, leaving nonprofits without access to this key funding source to address challenges like decreases in revenue, increases in costs, and workforce shortages.

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As of today, **15 days remain to advocate for SLFRF resources**. Nonprofits are encouraged to (1) contact their state and local offices to inquire about the availability of unobligated funds; (2) send a SLFRF proposal to their elected officials, commissioners, city managers, and other leaders; and (3) repeat to cover your local town, city, county, and state/Commonwealth (YES, you can apply for funding from more than government). Here are some more examples that show governments are actively seeking partnerships with nonprofits in these final days of SLFRF outreach and making progress in obligating as many dollars as possible before December 31.

- The West Hartford Town Council in **Connecticut** has additional funds to spend because of “projects that came in under budget” and is re-obligating their remaining SLFRF money to numerous projects, including \$175,000 that will be divided among 10 local nonprofits.
- In Cleveland Heights, **Ohio**, the City Council [approved](#) another \$650,000 in SFLRF resources for two local nonprofits that will rebrand the local arts district into a “unified, vibrant destination” and improve another nonprofit’s Home Maintenance, Repair, and Accessibility Program.

See [Accessing State and Local Fiscal Recovery Funds](#) to learn more, access template messages, and identify whether funds remain in local communities.

State Legislation Recap 2024

While most of the attention is forward looking to the changeover in DC, the action will be, as it usually has been, in the states. For proof, one need only look at the sheer volume of legislating this year. State legislatures enacted 27,566 statutes compared to only 116 federal laws so far in 2024. Among the higher number of measures under consideration include more than 250 bills affecting nonprofit budgets, operations, tax status, and advocacy rights. To demonstrate the breadth of issues, the National Council of Nonprofits has created an interactive [50-State Nonprofit Policy Recap for 2024](#). Some of the trends we saw and expect to carryover to 2025 include:

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- **Tax:** Nonprofit leaders in [Maine](#) celebrated a huge win when lawmakers enacted a sales [tax exemption for all sales](#) to charitable nonprofits as part of

the Governor's budget. Conversely, a special session bill in **Louisiana** ([H.B. 10](#)) repealed sales and use tax exemptions for charitable, educational, and religious organizations, with certain exceptions. Lawmakers in [Colorado](#), [Illinois](#), **Maryland** ([H.B. 490](#) and [H.B. 447/S.B. 440](#)), and [North Carolina](#) expanded charitable giving incentives for certain donations. A measure in [Mississippi](#) limited nonprofit property tax exemptions for foundations, and Louisiana lawmakers passed a law ([H.B. 7](#)) requiring voters to decide on a constitutional amendment to removed nonprofit property tax exemptions from the constitution and place them instead in state statute.

- **Employment:** Certain employers in [Massachusetts](#), [Minnesota](#), [New Jersey](#), and [Vermont](#) will now be required to include wage and salary information in job postings. A similar requirement that passed in [Illinois](#) in 2023 will also go into effect at the start of 2025. Lawmakers in [Rhode Island](#) passed the Secure Choice Retirement Savings Program that requires a payroll deposit retirement savings arrangement for eligible employers. A new law in [Kentucky](#) authorizes insurers to provide disability income insurance and paid family leave insurance, and clarifies policies affecting nonprofit employers. Legislators in [Alabama](#), **Nebraska** ([LB 34](#), [LB 874](#), and [LB 856](#)), [Kentucky](#), and [Indiana](#) approved laws to increase and expand access to childcare and support childcare workers in their states. [Kansas](#) lawmakers amended and expanded the Disability Employment Act to support a tax credit for goods and services purchased from a nonprofit that employs a certain number of employees with disabilities.
- **Government Grants and Contracts:** **Maryland** ([H.B. 418/S.B. 459](#)) is studying the creation of a state ombudsperson to provide technical assistance, resolve delays, and collect and disseminate information for grants for nonprofits in the state. [Utah](#) lawmakers clarified reporting requirements for disbursements of grants and contracts.
- **Advocacy Rights:** Charitable nonprofits in **Maryland** ([H.B. 434/S.B. 1143](#)) are now exempted from disclosure requirements of personal political contributions for state lobbying purposes.
- **Donor Rights:** [Georgia](#) and [Kentucky](#) lawmakers passed legislation empowering donors to bring civil action against a charitable nonprofit that breaches restrictions in an endowment agreement.
- **Regulations:** In response to the Maui fires, lawmakers in **Hawaii** enacted two laws ([S.B. 2683](#) and [S.B. 2693](#)) to protect against charitable fraud and to authorize the attorney general to supervise and regulate charitable fundraising platforms during an emergency. Laws in [Florida](#) and **Mississippi** ([H.B. 845](#) and

[H.B. 1344](#)) clarify reporting requirements and financial filings of nonprofits. Measures in **New Hampshire** ([H.B. 1203](#), [S.B. 472](#), and [S.B. 513](#)), [Maine](#), and **Virginia** ([H.B. 523](#)) expand charitable gaming and fundraising. A separate law in Virginia ([H.B. 464](#)) increased the audit threshold from \$1 million to \$1.5 million in gross annual revenue. Data privacy legislation passed in **Maryland** ([H.B. 567/S.B. 541](#)) and [New Jersey](#). The new Nothing About Us Without Us act in [Washington State](#) requires underrepresented populations with lived experiences to be on every new taskforce, workgroup, or advisory committee affecting historically underrepresented communities.

Research and Data on the Nonprofit Sector

While they don't always heed the data they have, policymakers need it to make informed decisions. State associations of nonprofits provide information such as the number of people employed by charitable organizations, budget size, and the economic impact on their states to ensure that data are available on the consequences of policy decisions. Here are three recent publications that made a difference (listed by state):

- [Colorado Nonprofit Economic Impact Report](#), **Colorado Nonprofit Association** : the report found that the 34,251 nonprofits in the state directly employ 182,000 individuals, which is “more than the agriculture, mining, and information industries combined.” The report also includes calls to action to support the sector: include nonprofit leaders in decision-making, donate to nonprofit missions you support, contact a nonprofit to volunteer or serve on their board/committee, and “support government funding for Colorado nonprofits.”
- [Florida Nonprofits Survey](#), **Florida Nonprofit Alliance**: this year's survey results show that more than half of respondents are “experiencing increased costs for recurring expenses” and more than two-fifths of nonprofits (42%) identified fundraising as their biggest challenge. Opportunities for change included support for nonprofit staff and increasing unrestricted revenue for nonprofits.
- [Current Conditions of Minnesota's Nonprofit Sector](#), **Minnesota Council of Nonprofits**: the 2024 edition found that factors affecting nonprofits' financial stability in the state include “increased expenses,” “fluctuations in charitable

giving,” and “COVID relief funding being mostly distributed and spent.” Nonprofits also celebrated accomplishments such as “securing funding for racial equity work,” “developing or expanding on programming and initiatives,” and “engaging in advocacy work” that included “contacting elected officials about topics related to their mission.”

In Focus for 2025

The Need for Government Grants and Contracting Reforms

Data from the [Nonprofit Workforce Survey](#) showed that challenges caused by government grants and contracts affected nonprofits’ ability to recruit and retain employees: one of five nonprofits (20.6%) identified this as an issue. However, data alone cannot make the case for much-needed reforms. New testimonials and reports from around the country confirm that challenges continue:

- **New York City** nonprofits [experiencing delays](#) in receiving timely payments from the City point to a bigger issue when they cannot provide services: “On the outside looking in, it’s like, ‘Well, you got that money. Why aren’t you actually providing the services.... It creates the lack of trust in the community, and it’s an overall disservice,” explains Thara Duclosel, Policy & Advocacy Coordinator at **Nonprofit New York**. A bill before the New York City Council, the [Get Nonprofit Paid on Time Act](#), would require the city to pay nonprofits within 30 days.
- The City Council of Philadelphia, **Pennsylvania**, found that many [nonprofits holding contracts](#) with different city agencies have experienced “delays in payment or have waited months for their contracts to be finalized, often performing work for the city without actually having a contract in place.” One of the solutions identified is for agencies to have a more consistent number of staff to prevent backlogs from growing, and the city will examine this during the next budget process.
- In **Oregon**, nonprofits [reported](#) that they have moved out of their spaces and are even “on the brink of shutting down entirely” in part because of delays in receiving payments from government contracts. Jim White, Executive Director of the **Nonprofit Association of Oregon** points out, “We know of people who

have left the nonprofit sector and gone to the private sector... They simply can't make it work anymore within a system that is kind of rigged against them.”

Worth Studying

- [Special Report: A Look at 2025's Trending Legislative Topics](#), National Conference of State Legislatures, November 2024.
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Numbers in the News

277,500

The estimated number of jobs that nonprofits added between 2017 and 2022, a 2.2% growth rate. Research also found that even though “as of 2022, nonprofits had restored nearly 70% of the workforce losses they suffered in 2020, they still had significant ground to cover to back to the employment levels they enjoyed in 2019 in several key fields.”

Source: [2024 Nonprofit Employment Report: New Data Reveal Nonprofits' Strengths and Challenges in the COVID-19 Era](#), Center on Nonprofits, Philanthropy, and Social Enterprise at George Mason University, Dec. 2024.

27,566 vs. 116

The number of state laws compared to federal laws enacted so far in 2024.

Source: Quorum and [Library of Congress](#)

6 Million

The number of voters registered since National Voter Registration Day's inception in 2013.

Source: [National Voter Registration Day Annual Report](#), Nonprofit VOTE, 2024.

Did You Know?

The U.S. Supreme Court has set up a fully automated online lottery that allows members of the public to apply for Courtroom reserved seating for oral arguments on cases before the Justices. See [Supreme Court news release](#).

Nonprofit Events

- Dec. 18, [Introduction to Nonprofit Advocacy](#), Common Good Vermont
- Jan 8, [Nonprofit Advocacy 101](#), Idaho Nonprofit Center
- Jan. 13, [Legislative Preview](#), Maryland Nonprofits
- Jan. 14, [Advocacy 101](#), Florida Nonprofit Alliance
- Jan. 16, [2025 Legislative Agenda Kickoff](#), Forefront (Illinois)

Advocacy in Action

Homework Over the Holidays

Sure, sure, most of us grudgingly respect (or thoroughly dislike) the classmates who use the holidays to get ahead for next year. It doesn't help that Thomas Jefferson opined that the harder he worked the luckier he got. Or that Thomas Edison said, "success is 10% inspiration and 90% perspiration." Either way, it means having to work over the holidays. But we share a friendly reminder that a) you're in this for the mission - as in advancing it and not losing ground, and b) 2025 offers tremendous challenges and opportunities for said mission that will require both luck and success. All of which leads us to the unpalatable task of assigning readings ... for the public good.

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