

OBBBA WEBINAR SERIES | August 26, 2025

OVERVIEW:

OBBBA: Impact on Nonprofits



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Our Presenters



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“The One Big Beautiful Bill Act” Overview

102 PROVISIONS

525 PAGES OF
LEGISLATIVE
TEXT



\$4.5 TRILLION OF
NET REVENUE
REDUCTION



OVER
10
YEARS

COMBINATION OF



Revenue
Raisers and
Tax Cuts

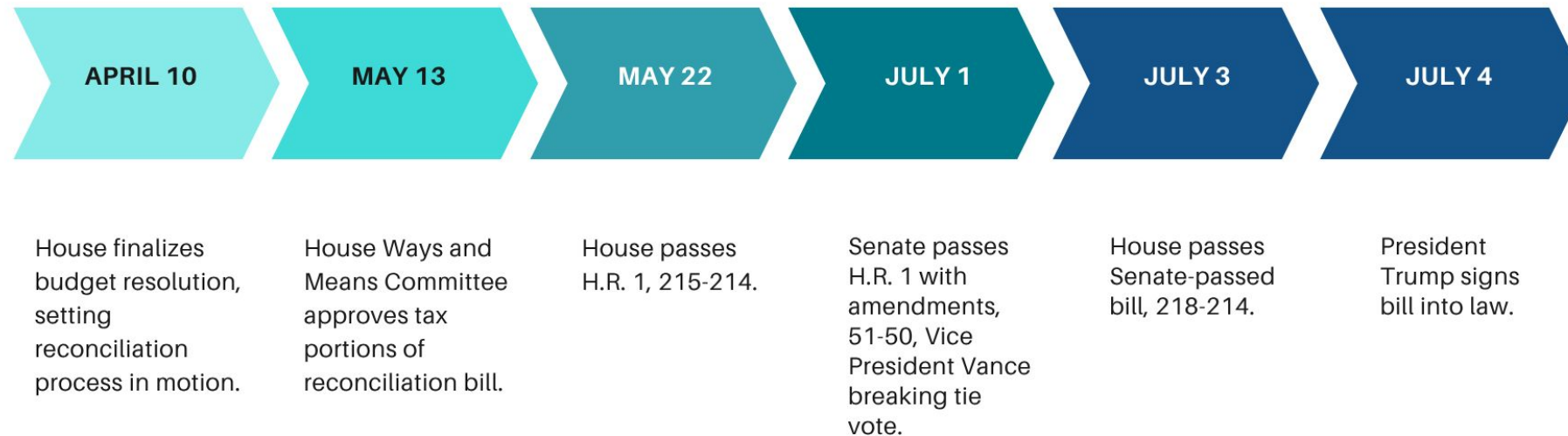
COMBINATION OF
Temporary and
Permanent Provisions

EFFECTIVE
DATES VARY



OBBBA: Decoding Tax Reform and Strategic Impacts

OBBBA Timeline



Changes to Charitable Deductions

- **Return of charitable deduction** in arriving at Adjusted Gross Income (AGI) for non-itemizers
- **New contribution deduction floor** of .5% for itemized deductions
- **Permanent cap on cash gifts** at 60% of AGI – previously 50% of AGI
- **Reduced benefit for high-income donors** in the 37% tax bracket
 - *Will be limited to a 35% benefit*
- **Corporations will now have a 1% AGI floor** before charitable contributions can reduce taxable income



Impact on Contributions

- **Taxpayers with AGI of \$200,000** with \$10,000 of contribution would have a .5% floor of \$1,000 ($\$200,000 * .5\%$) and would be allowed a charitable contribution of \$9,000 ($\$10,000 - \$1,000$) on their Sch A Itemized Deductions.
- **OBBBA introduces a limit to total itemized deductions** for taxpayers in the highest tax bracket of 37% by reducing deductions by 2/37 of the amount their income exceeds the 37% tax bracket threshold, or by the total amount of their itemized deductions, whichever is less.
- **For 2025, the 37% tax bracket for married filers** starts at \$731,201 and for single filers at \$609,351.

Limits for Corporate Giving

- **Corporations now face a 1% Adjusted Gross Income floor**
 - Below which contributions are not deductible
 - There remains a contribution deduction ceiling of 10% AGI, excess contributions will be carried forward
- **Corporate taxable income** of \$100,000
- **Contributions** of \$5,000
- **AGI Floor** would be \$1,000 and only \$4,000 would be deductible



University Endowments Subject to Higher Excise Tax Rates

- The 2017 TCJA implemented a new excise tax on University Endowments with at least 500 students and endowments exceeding \$500,000 per student paid a 1.4% excise tax on net investment income.
- Under the OBBBA, the following rates now apply to schools with at least 3,000 students

Assets per Student	New Excise Tax Rate
\$500,000 to \$750,000	1.4%
\$750,000 to \$2,000,000	4%
Over \$2,000,000	8%

Key Items Impacting Nonprofits

- **Increased Information Reporting Thresholds:** The threshold for reporting on Forms 1099-NEC and 1099-MISC has increased from \$600 to \$2,000, **effective for 2026**, potentially easing compliance for small nonprofits.
- **Expanded Excise Tax on Highly Compensated Employees:** The 21% excise tax now applies to all current and former nonprofit employees earning over \$1 million, not just the top five earners.



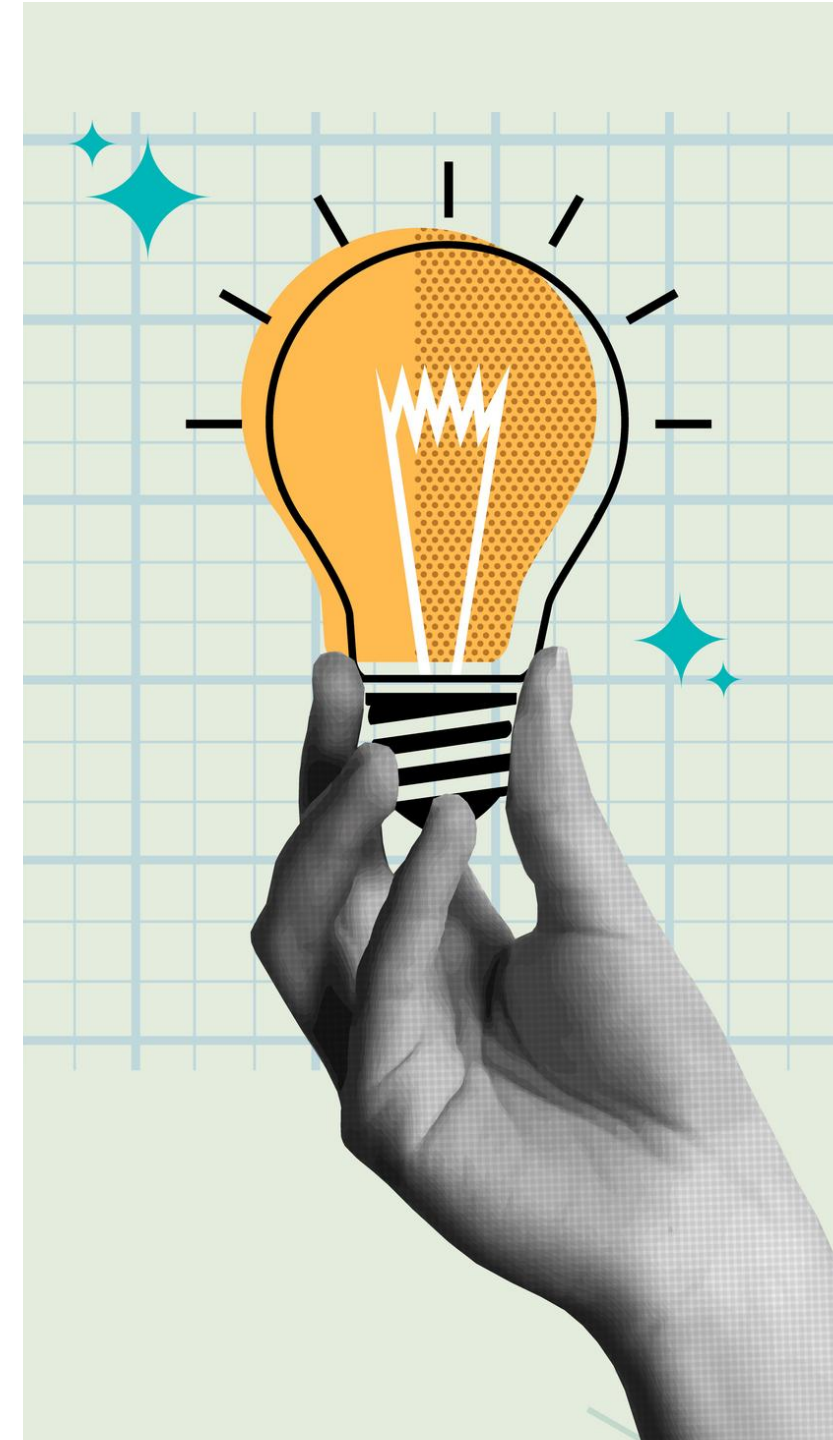
Increased Pressure from Public Spending Cuts

- **OBBBA includes:**
 - \$1 Trillion in projected Medicaid Cuts
 - \$186 Billion reduction in food assistance programs
- **Estimated 12 Million people** are expected to lose health coverage/benefits
- **3 Million individuals** will lose food assistance through SNAP
- **Rural hospital closures** and reductions in community health funding expected to rise
- **Nonprofits will face growing demand for services** while contending with tighter budgets



How to Adapt and Respond

- 1. Refresh Fundraising Strategies**
Communicate the return of the contribution deduction for non-itemizers
- 2. Review Donor Pipelines**
Will high-net-worth donors reduce their contributions?
- 3. Request Flexibility from Funding Sources**
Explore amending restrictions
- 4. Vocalize Growing Community Needs**
Communicate the increase demand for services



Common Questions



How will these tax changes affect typical nonprofit revenue streams?

What are the immediate priorities for nonprofits in reviewing their current tax and financial strategies?

How will the expanded deduction for non-itemizers and the 0.5% AGI floor for itemizers affect donor behavior and fundraising tactics?

Common Questions



What strategies can nonprofits employ to engage with both long-term and potential new donors under the OBBBA?

How can nonprofits adjust their messaging to address changes in donor incentives?

Common Questions



With potential reduced government funding, and the Single Audit threshold now over \$1,000,000, what are you seeing nonprofits can and should do to monitor compliance costs and financial reporting requirements, yet keep grantors happy?

Should nonprofits change their investment policies?

Will this have any impact on staffing? What solutions do you suggest for staffing gaps?



Other Core Matters from the OBBBA

Top Tax Headlines for Individuals

New Individual Tax Benefits – Campaign Promises

- **No Tax on Tips**

Allows up to \$25,000 deduction for qualified tips received in certain occupations*

- **No Tax on Overtime**

Allows up to \$12,500 (\$25,000 for MFJ) for qualified overtime compensation*

- **New W2 Reporting for Tips and Overtime**

Employers have always reported Allocated Tips on Form W2. Now employers will be required to report the amount of overtime compensation calculated under the Fair Labor Standards Act FLSA for pay for hours exceeding 40 in a work week.

Does your payroll software have the ability to provide that metric for the W2s?

- **Car Loan Interest Deduction**

Deduction for up to \$10,000 in auto loan interest payments for qualifying, American-made vehicles *

- **Enhanced Deduction for Seniors**

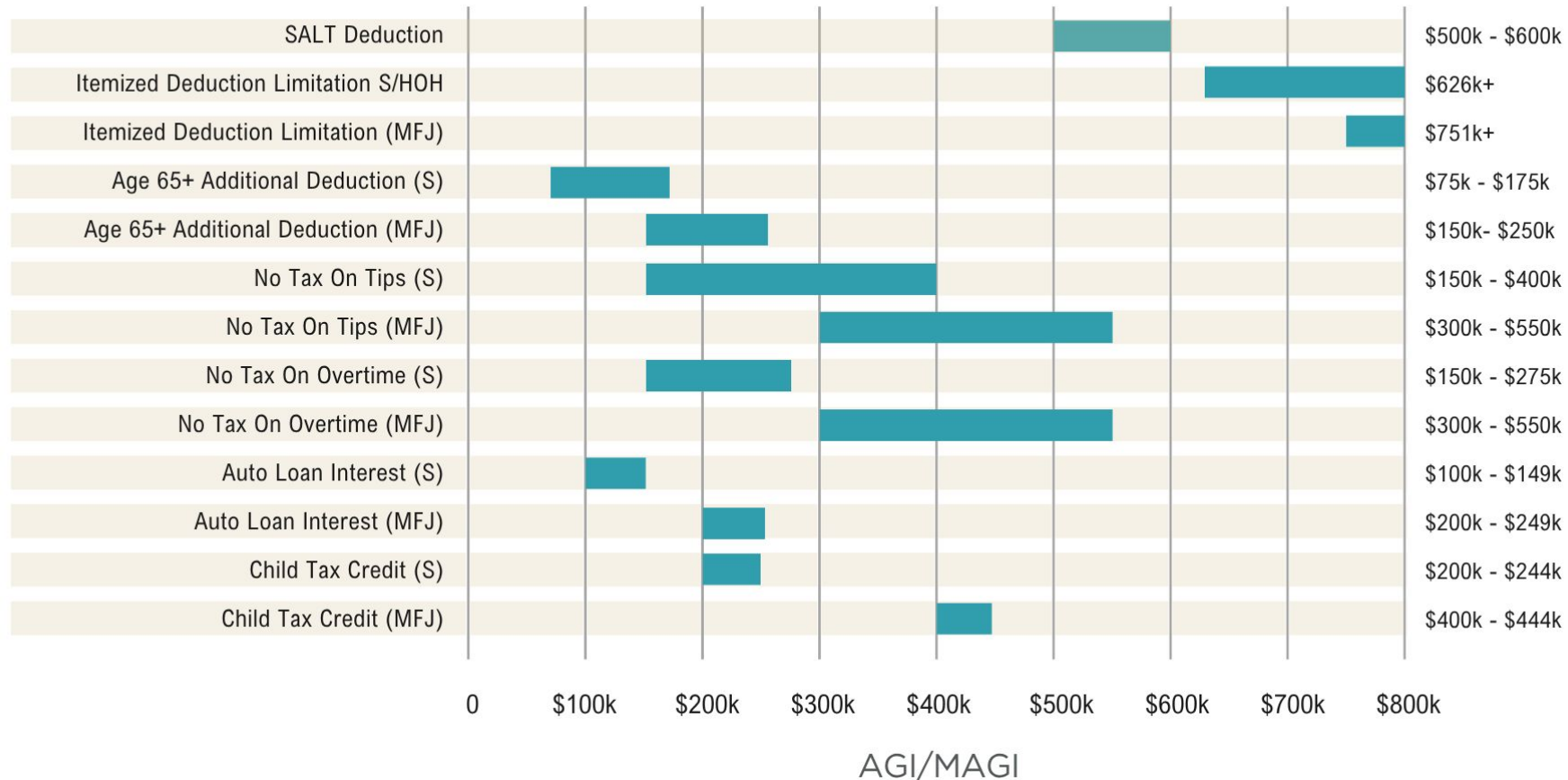
Deduction of \$6,000 per individual for seniors 65 and above

All of these tax benefits are subject to AGI income restrictions and are effective for 2025-2028

**The deduction is available to taxpayers who claim the standard deduction or who itemize.*

AGI Limitations for Various Individual Provisions

Phaseout Ranges for Tax Provisions Under OBBBA



Key Items Impacting Individuals

- **Individual Income Tax Rates** – Seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%
Makes these individual tax rates permanent; Continues to be adjusted for inflation after 2025 and adds an additional year of inflation adjustment to the end of the 10% and 12% brackets.
- **Standard Deduction** – Permanently increases deduction effective as of January 1, 2025
Single & MFS: \$15,750 (indexed), HOH: \$23,625 (indexed), MFJ: \$31,500 (indexed)
- **State and Local Tax Deduction** – Increases cap to \$40,000 (MFJ and single) for 2025 with thresholds increasing 1% each year starting in 2026-2029. Deduction phases down for AGI above \$500,000 with a full phase-out for AGI above \$600,000.
- **Child Tax Credit** – Permanent increase of \$2,200 per child, with \$1,400 refundable with inflation adjustments.
Permanent increase to the phaseout threshold amounts of \$200,000 (\$400,000 for MFJ).
- **Other Dependent Credit**
Non-refundable credit of \$500 per qualifying dependent who does not qualify for the Child Tax Credit (e.g. older children, elderly parents) made permanent. Requirement that dependent be a resident of the US continues.
- **Personal casualty losses allowed for both federal and state declared disasters**

Other Key Items Impacting Individuals



- **New Itemized deduction limitation for taxpayers in the 37% tax bracket – caps the value of total itemized deductions to 35%. Effective 2026.**
- **New Charitable Contribution Limitation of .5% of AGI for individuals who itemize deductions. Effective 2026.**
- **Non-itemizers can deduct up to \$2,000 (MFJ) \$1,000 (Single) in charitable contributions above their standard deduction amount. Effective 2026**
- **Permanently Repeals Miscellaneous Itemized Deductions**
- **Mortgage Interest Deductions**
Makes \$750,000 debt limit permanent and includes mortgage insurance premiums.
- **Home Equity Debt**
Disallowance of home equity debt interest is made permanent (if the loan proceeds were used to buy, build, or substantially improve the taxpayer's home that secures the loan it is acquisition debt, not home equity debt).
- **Gambling Loss Deduction will be limited to 90% of losses incurred. Effective 2026.**
- **Estate and Gift Tax Exemption Thresholds on January 1, 2026.**
Increases exemption to \$15 million (indexed from 2026); makes higher exemption permanent with no sunset on 12/31/2025.

Other Key Items Impacting Individuals



- **Adoption Credit**

Previously nonrefundable; makes \$5,000 of the credit refundable; inflation adjusted

- **529 Plan Qualified Expenses**

Previously limited to higher education and \$10,000 K-12 tuition; Expands to include more K-12 and homeschool expenses, and postsecondary credentialing expenses. CPA credentialing would be allowed (including exam expenses).

- **New Trump Accounts for Minors**

- New tax-favored accounts (Similar to IRAs, but not Roth IRAs) for the exclusive benefit of individuals under 18 with contributions allowed no earlier than July 4, 2026
- Caps individual contributions at \$5,000 per year and employer contributions at \$2,500, both inflation adjusted
- The federal government will provide initial \$1,000 contributions for US citizen newborns born in tax years 2025-2028
- Distribution rules after the beneficiary turns 18 are similar to the current IRA distribution rules with qualifying exceptions for qualified higher education expenses, first-time homebuyers, and recovery from federally declared disaster areas.
- Waiting on further IRS guidance on more details on the tax options available with these new accounts

Top Tax Headlines for Businesses



- **Bonus Depreciation** - Allows 100% depreciation in first year for property acquired and placed in service on or after Jan. 19, 2025.

New category of eligible property: Qualified Production Property for real estate used in manufacturing or production and placed in service before January 1, 2034.

- **Section 179 Expensing** - Deduction increased for 2025 to \$2.5 million from \$1.25 million and phaseout threshold increased to \$4 million from \$1.25 million.
- **Sec. 163(j), Business Interest limitation** – Returns to the more favorable EBITDA calculation (pre-2022) with no expiration.
- **Expensing of Domestic R&D expenses** - Reinstated, retroactive to January 2025 with options to take previously capitalized deductions on the 2025 returns with an amended return option for smaller business for 2022-2024 costs.
- **Section 199A deduction:** Retains deduction at 20% of Qualified Business Income (QBI) with some slight changes to the AGI phase-outs

These business provisions are now permanent provisions with no expiration.

Other Key Items Impacting Businesses



- **Form 1099 Reporting Rules** - Increases information reporting threshold to \$2,000 (from \$600) **for tax year 2026**, with the threshold amount to be indexed annually for inflation in calendar years thereafter.
- **PTET Election** – Eligible pass-through entities can still claim deductions for state and local income taxes at the entity level
- **Employee Retention Credit (ERC)** – Claims for the ERC for Q3 and Q4 2021 are not eligible if they were filed after January 31, 2024

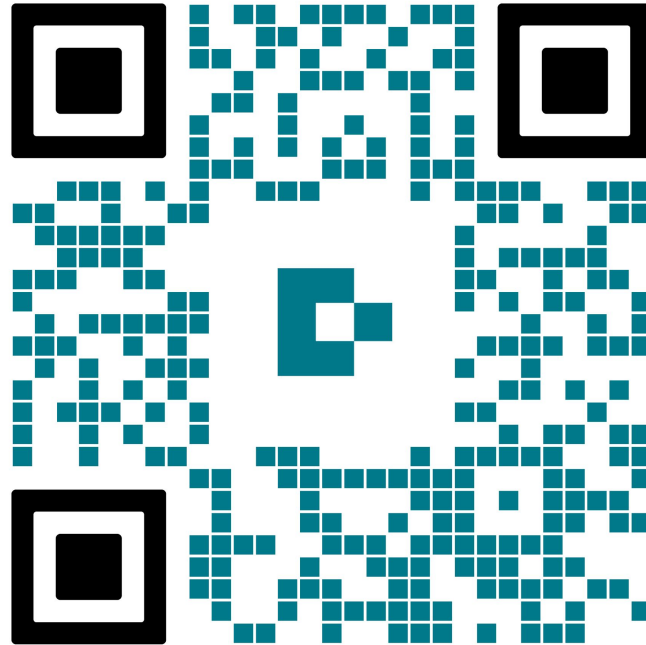
The status of limitations for the IRS to review ERC claims has been extended to six years from the date the claim is filed.

- **Clean Energy Credit Phaseout** –
 - Energy Efficient Commercial Buildings, Alternative Fuel Refueling Property Credit, and New Energy Efficient Home Credit terminates for property that begins construction or acquired after June 30, 2026
 - Energy Efficient Home Improvement and Residential Clean Energy credits terminates for property placed in service after December 31, 2025
 - Previously Owned Clean Vehicle, Clean Vehicle Credit, and Commercial Clean Vehicle Credit terminate for vehicles acquired after Sept. 30, 2025
 - Residential solar tax credit after December 31, 2025

Questions



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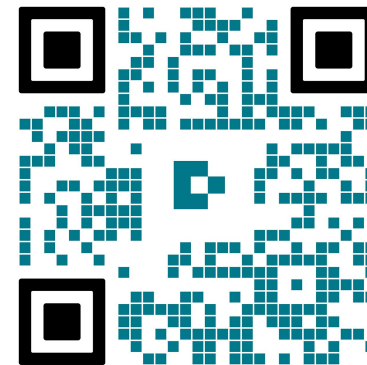
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- Hospitality-Private Clubs (9.3.25)
- R&D and Other Entity Tax Incentives (9.16.25)
- M&A Impact (9.17.25)
- International Tax Implications (9.18.25)
- Restaurants & Hotels (9.22.25)
- Risk Mitigation for the C-Suite (9.23.25)

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