

Tax Reconciliation 3.0

Protecting America's Charitable Nonprofits

The National Council of Nonprofits (NCN) urges Congress to ensure any tax reconciliation bill protects charitable nonprofits and their ability to deliver essential services to communities nationwide. Despite this critical role, nonprofits face unprecedented challenges. Significant federal funding cuts and [recent changes in tax policy](#) that decrease charitable giving strain already tight budgets. Many nonprofits have cut services, reduced staff, and closed their doors.

NCN urges Congress to ensure any 2026 tax reconciliation package:

1. Prevents Harmful Spending Cuts to Safety Net Programs

Congress should reject any proposal to cut funding for safety net programs that provide critical assistance to families and individuals nationwide. When federal investments are cut, people often turn to nonprofits for assistance. As a result, nonprofits face an unsustainable increase in demand for services, despite fewer resources. By cutting more than [\\$1 trillion](#) from healthcare and nearly [\\$200 billion](#) from food assistance, the 2025 tax package will cause approximately 15 million people to lose health coverage and become uninsured by 2034, and it will lead to more than 2.4 million people in a typical month to go hungry. Nonprofits and the people they serve cannot afford further cuts to vital federal resources.

2. Expands Employer Tax Incentives to Nonprofit Employers

In its tax reconciliation bill, Congress should support the nonprofit sector by [extending employer tax incentives to nonprofit employers](#). Many employer tax incentives - including the Work Opportunity Tax Credit, tax credits to encourage employers to offer employees family and medical leave, childcare facilities, and retirement savings, and tax credits to offset the cost of compliance with the *Americans with Disabilities Act* (ADA) - are not available to nonprofit employers since they are generally exempt from federal income taxes. This exclusion leads to higher costs for nonprofit employers to hire and retain staff, making it harder to compete with for-profit employers on an equal basis. By converting income tax credits to direct pay or transferability, Congress can even the playing field between nonprofit and for-profit employers.

3. Preserves and Strengthens Charitable Tax Incentives

Congress should reject any proposals that further limit the value or ability to give to charities. Charitable tax deductions incentivize giving and are vital for nonprofits to sustain their missions. A [new report](#), however, estimates changes made in the 2025 tax package will reduce charitable

giving by \$5.69 billion annually, despite the legislation's creation of a universal charitable deduction. These changes include a 1% floor on corporate giving and a 0.5% floor and cap on individual itemizers. Instead, policymakers should help bolster charitable giving to nonprofits.

4. Avoids New or Expanded Taxes or Fees on Foundations and Nonprofits

Policymakers should reject proposals to increase taxes on foundations and charitable nonprofits as a pay-for for a new tax package. Nonprofits are exempted from paying certain federal taxes so that they can dedicate even more of their resources to serving their communities. In the 2025 tax package, policymakers initially proposed increasing taxes on private foundations, imposing a new tax on transportation benefits provided by nonprofit employers, and taxing income derived from name and logo royalties – all of which would have diverted scarce resources away from essential services, undermining the ability of nonprofits to meet needs in their communities, and putting greater strain on government. These provisions were removed from the final legislation.

5. Protects Nonprofit Tax-Exempt Status from Government Overreach

Policymakers should reject proposals that would allow the executive branch to target nonprofits on ideological grounds. Nonprofits must have the freedom to choose and pursue their missions, without fear of political retribution. In the 2025 tax package, policymakers initially included – but ultimately removed – a provision granting unprecedented authority to the Treasury Secretary to revoke tax-exempt status from nonprofits without full evidence or due process. Nonprofits wrongfully designated would have been irreparably harmed, losing the trust of donors and communities. It would have set a dangerous precedent to allow future administrations, regardless of political party, to target nonprofits they disfavor.

6. Protects Nonprofits from Excessive Regulation, Liability, and Limits

Some policymakers have called for legislation that would target nonprofits and harm their ability to effectively serve their communities. This includes legislation to impose criminal liability on nonprofits and remove due process protections, restrict their ability to receive donations from philanthropy headquartered abroad, limit their legal rights to advocate on policy issues, or impose excessive reporting requirements – all of which would discourage nonprofits from exercising their constitutional and legal right to choose and pursue their missions. Policymakers should reject these measures in any 2026 reconciliation bill and instead focus on strengthening the nonprofit sector and ensuring reasonable oversight.