

# TaxViews



## A tax periodical for the non-profit community

May 2025

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### **“The One, Big, Beautiful Bill” Brings Potential Changes to Tax Exempt Organizations**

The House Ways and Means Committee released proposed tax legislation on May 12, 2025 which included potential changes having considerable impact on the tax-exempt community. There are many steps left in the legislative process before the proposed bill may become law and significant changes may occur. COMD will continue to monitor the progress of the proposed legislation and provide updates as they arrive. The information set-forth below is as of May 19, 2025.

#### **Increased Excise Tax on Net Investment Income of Private Foundations**

Presently, private foundations are subject to a flat 1.39% excise tax on net investment income. The proposed tax legislation offers a sliding scale for the excise tax on net investment income tax based on the fair market value of the foundation’s total assets, without reduction for any liabilities.

<b>Total Assets (FMV)</b>	<b>Excise Tax Rate</b>
Below \$50 Million	1.39%
Between \$50 Million and \$250 Million	2.78%
Between \$250 Million and \$5 Billion	5%
Above \$5 Billion	10%

#### **Increased Excise Tax on College and University Endowments**

Presently, colleges and universities are subject to a flat 1.4% excise tax under Internal Revenue Code (“IRC”) Section 4968 on net investment income from endowments. The proposed tax legislation offers a sliding scale for the excise tax of certain colleges and universities based on a school’s “student adjusted endowment”. Simply stated, the “student adjusted endowment” is determined based on the total fair market value of the college or universities assets (excluding exempt purpose assets) per “eligible student.” Certain religious colleges or universities that have maintained an affiliation with a church and have a mission that includes religious tenets, beliefs, or teachings appear to be excluded.

<b>Student Adjusted Endowment</b>	<b>Excise Tax Rate</b>
Between \$500,000 and \$750,000	1.4%
Between \$750,000 and \$1,250,000	7%
Between \$1,250,000 and \$2,000,000	14%
Above \$2,000,0000	21%

## Increased Application of the Executive Compensation Excise Tax

The proposal tax legislation expands the IRC Section 4960 excise tax on exempt organizations who pay over \$1 million in remuneration or excess parachute payments to any “covered employee” by expanding the definition of “covered employee” to include any employee or former employee of the organization. Current tax law limits this definition to include the top five highest compensated employees, generally speaking.

## Proposed Changes to Unrelated Business Taxable Income (“UBTI”)

- **Parking Tax:** Guess whose back? The Parking Tax! Initially enacted by the Tax Cuts and Jobs Act and later retroactively repealed, the proposed tax legislation would include in UBTI the cost of qualified transportation fringe benefits and parking facilities used in connection with qualified parking with a carve out for religious organizations.
- **Research:** The proposed legislation would exclude from UBTI only research income that is fundamental research which the results are freely available to the general public.

## Other Provisions of Interest:

- Immediate stop payment of any unpaid employee retention tax credit claims unless the claim for the credit was filed on or before January 31, 2024 and expansion of the statute of limitations by which the Internal Revenue Service may issue an assessment for an improperly filed claim.
- Reinstatement (temporarily) of a charitable contribution deduction for non-itemizing taxpayers of \$150 and \$300 for joint returns for cash contributions to certain qualifying charities for tax years 2025 through 2028.
- An increase in Form 1099-NEC reporting requirements from \$600 to \$2,000 beginning in 2026.

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