



# Tax Threat to Associations



# Tax Reform

- 2017 Tax Cuts and Jobs Act (Trump admin. tax bill) expires at the end of 2025
- GOP Sweep in 2024 elections
- Will pursue Republican-only tax bill through legislative process called “Reconciliation”
- Cost to permanently extend: \$4.5 trillion
- Lawmakers looking for revenue – could turn attention to the tax-exempt sector

# Lawmakers Voice Concerns About Nonprofit Political Activities

- “This committee has been concerned with the proliferation of tax-exempt organizations that receive generous benefits under section 501 of the U.S. tax code engaging in activities that may not be in line with the spirit or the letter of the law.” – Ways and Means Chair Jason Smith (R-MO)



# Lawmakers Critical of Tax-Exempt Organizations Competing with For-Profit Organizations



- “If a section of society is being tax-free, and they’re providing the same services as someone who is being taxed, there could be a concern” – Rep. Randy Feenstra (R-IA)

# Reasons for Concern: Think Tank Scrutiny

- “America has a \$3.3 trillion tax gap. But it’s not the tax gap we hear most about ... This tax gap rests squarely with Washington lawmakers who, starting more than a century ago, began exempting politically favored institutions, organizations, and activities from the tax code.” – Scott Hodge, Tax Foundation (now at Arnold Ventures)



# Potential Revenue Sources That Could be Used as a Pay-For

- Investment Income
- Education
- Membership
- Sponsorships
- Registrations
- Any other source of revenue other than charitable donations

# What We're Hearing – On the Hill

- House's view –
  - House wants to pass one large tax bill by Memorial Day
  - House GOP hardliners prefer larger spending cuts, less deficit impact from TCJA extension
- Senate's Differences –
  - Less appetite for large spending cuts.
  - Prefers different "scoring" method that would make the TCJA tax cuts appear to cost nothing to extend permanently; allow for \$1.5T in additional tax cuts
- President Trump pressing for action
- House and Senate need to get on the same page

# What We're Hearing – On the Hill

## Tying Debt Limit Extension to Tax Cuts in Reconciliation?

- CBO: Government could default on its debt as soon as August unless Congress passes legislation addressing the debt limit.
- Addressing debt limit in reconciliation adds pressure to wrap up tax and spending negotiations before summer's end.
- Treasury Secretary Bessent says there will be more information about “X date” this week.



# What Does This All Mean?

- Expect tax-exempt organizations to be targeted
- The rationale for a tax-exempt sector, is at best, misunderstood

# ASAE Formed the Community Impact Coalition

- A unified initiative dedicated to educating the 119<sup>th</sup> Congress about the social and economic benefits of tax-exempt organizations



**COMMUNITY IMPACT  
COALITION**

# Our Ask of Congress:

- Preserve the ability of tax-exempt organizations to serve their communities by **opposing** increased tax burden on tax exempt organizations in 2025 tax debate.



# ASAE and CIC Advocates for Nonprofits at Annual Fly-In





# Key Messages

## **PROTECT NONPROFITS SERVING AMERICA: KEEP NONPROFITS TAX-EXEMPT**

**Nonprofits are vital to our communities, providing food, medical care, education, and more.**

Some lawmakers are looking for ways to raise money and are considering tapping nonprofit resources. If Congress puts these essential community services at risk, nonprofits would be forced to cut programs, turn people away, or close their doors completely to those in need.

### TAX-EXEMPTION **HISTORY**

Tax-exempt status is a designation under the tax code for organizations that meet strict rules to stay open about their finances, serve the public, and reinvest in their mission — not to make money for any individual or private group.

**Nonprofits are driven by purpose, not profit.**

# Key Messages

## NONPROFITS NURTURE THE PUBLIC GOOD

### **PHILANTHROPY AS CIVIC DUTY**

American culture has long emphasized the importance of private giving to support the public good.

### **BALANCE OF MISSION AND REGULATION**

The sector has faced ongoing tension between maintaining independence and adhering to regulations ensuring transparency and accountability.

### **COLLABORATION WITH GOVERNMENT**

Tax-exempt organizations have often supplemented or partnered with government efforts in education, healthcare, and social services.

# Broad Impact of Nonprofits Across Sectors



# Responding to Critics

## A BAD TAX REFORM FOR U.S. BUSINESS LEAGUES

*By: Stephen J. Caldeira*

[Wall Street Journal Opinion](#)

Scott Hodge condemns 501(c)(6) organizations as tax-avoidant “special interests” while ignoring their critical role in advancing public safety, innovation and the economy (“[Nonprofits’ Circle the Wagons to Fend Off Taxes](#),” op-ed, March 5). By bringing together common industry interests, associations provide infrastructure that government can’t.

Associations function as specialized knowledge hubs across sectors, pooling expertise from thousands of industry professionals to solve complex problems. These groups safeguard food quality and set the best standards for cybersecurity practices, among other endeavors, without draining government resources. I have seen firsthand how associations drive innovation, ensure public safety and support economic stability. Such nonprofits as the Alzheimer’s Association, So Others Might Eat, Hiring Our Heroes and the Boy Scouts of America have outsize influence in our nation’s communities beyond mere lobbying.

Proposed tax reforms threaten this ecosystem. Legislative proposals to tax nondonation revenue—including membership dues, educational programs and

# At the Table- Not on the Menu



# Questions

