Proskauer

One Big Beautiful Bill: Update on Provisions for Nonprofits

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On May 22, 2025, the House of Representatives passed the One Big Beautiful Bill Act (H.R. 1, hereafter the "**Revised House Bill**"). The Revised House Draft Bill contains certain changes to the original bill that was released on May 12, 2025 by the House Ways and Means Committee (the "**Original House Draft Bill**"). As summarized in our previous blog post, there were several proposed changes in the Original House Draft Bill that would have particularly impacted nonprofits if enacted.

The Revised House Bill dropped the proposed change to treat income arising from a sale or license by a tax-exempt organization of its name or logo as "unrelated business taxable income" ("**UBTI**") but retained the following provisions that would also impact nonprofits, if enacted:

- For private foundations, the current 1.39% excise tax would be replaced by a tiered tax on net investment income based on the total gross value of the assets held by the foundation—the top rate reaching 10%.
- For private colleges and universities, the current 1.4% excise tax on net investment income would be replaced with a tiered system based on an institution's "student-adjusted endowment". For such schools with a student-adjusted endowment of more than $2 million, the excise tax would be increased to 21%. The scope of "net investment income" would also be expanded to include interest income from student loans.
- Income from scientific research would be exempt from UBTI only if the research is publicly available.
- Nonprofits (other than "churches" or certain "church-affiliated organizations") would have to pay tax (generally at the corporate rate of 21%) on parking facilities and transportation fringe benefits. The original Tax Cuts and Jobs Act of 2017 included a provision imposing taxes on such facilities and benefits, but that provision had been retroactively repealed in 2019.
- The excise tax imposed on significant compensation paid to the 5 highest-compensated employees of an applicable tax-exempt organization would be expanded to all employees of the organization or any related person or

governmental entity.

- A 1% floor would be added for charitable contribution deductions made by corporations.

For a full summary of provisions from the Revised House Bill, please see our blog post here.

The Revised House Bill will be reviewed by the Senate and is subject to further revision and amendment as the budget reconciliation process continues. The changes summarized above may or may not be included in the final tax legislation. Congressional Republicans have previously stated that their goal is to have tax legislation finalized by July 4, 2025.

View original.

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