



Interpreting OBBB: New Tax Law Implications for Nonprofits and Philanthropy

Summary

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- OBBB contains various components that impact nonprofits and philanthropy at large. While the impact varies by type of institution, OBBB might have the unintended consequence of leaving nonprofits with a greater need to fulfill their mission in support of the community and smaller budgets to do so.
 1. **Tax Impact: Broadly neutral, except for large, private higher education** institutions with large endowments, who will receive a tax increase. No other tax increases were included.
 2. **Charitable Giving Impact: Negative.** Positive changes to encourage giving for small donors such as an increase in nonitemized giving are offset by large donor changes (an increase in corporate deduction floor and reduction in itemized giving for top individual taxpayers via 0.5% floor).
 3. **Philanthropic Need: Increasing.** For higher education, OBBB broadly looks to reduce federal loans and grants, increasing the need for financial aid. For other nonprofits, OBBB has broadly decreased entitlements and services, potentially creating a larger need for nonprofit services and aid.
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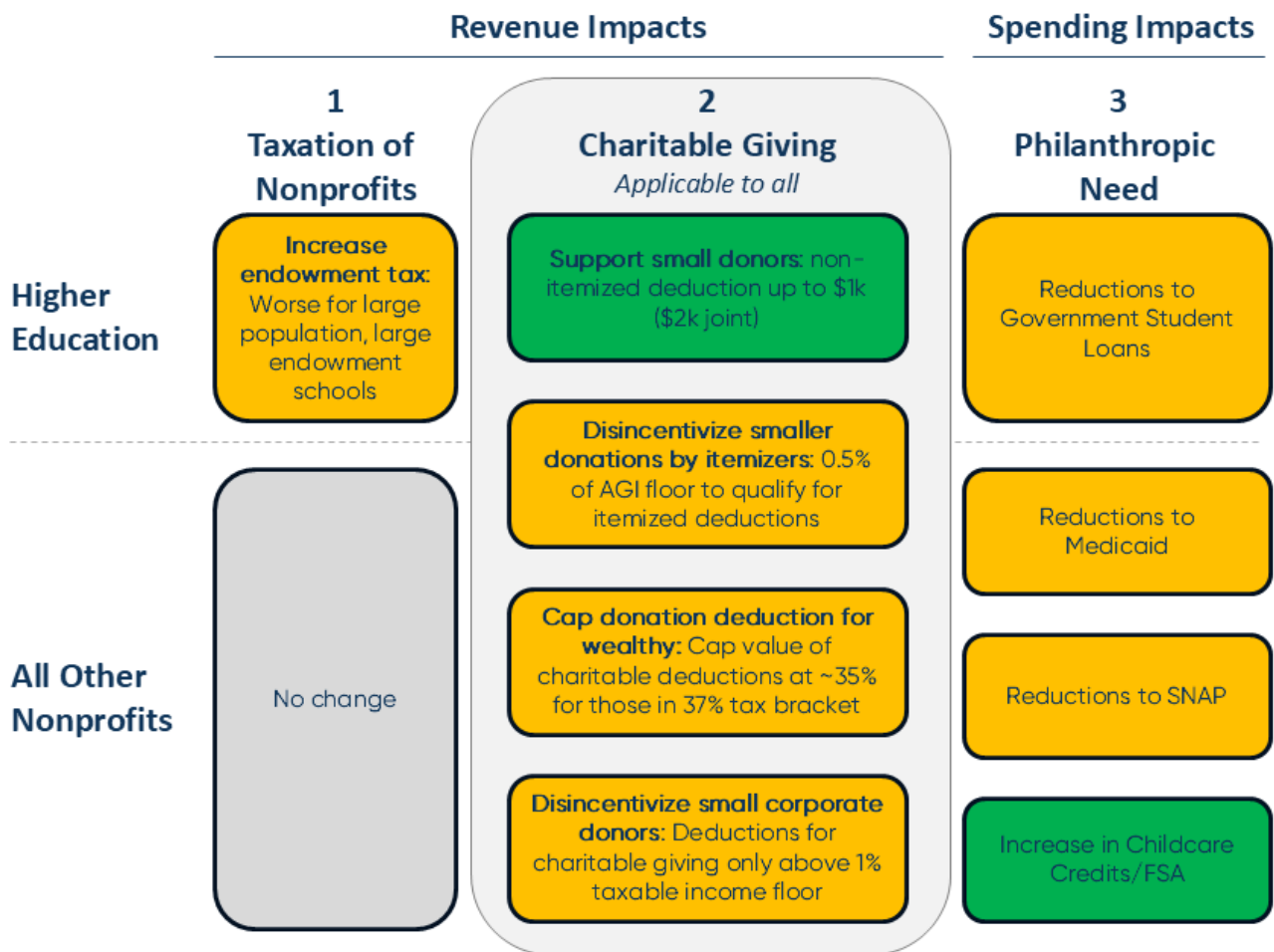
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July 4, 2025. Within the almost 900 pages of OBBB, there are a number of changes that directly and indirectly impact nonprofits – particularly through tax changes, charitable giving rules, and reductions in public services.

While the impacts will vary by institution, OBBB is likely to increase the demand for nonprofit services at a time when many organizations are facing tighter budgets.

TIFF has summarized major elements of OBBB and how it broadly impacts nonprofits and philanthropy:



Source: TIFF Analysis.

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Endowment Tax

OBBB increases the excise tax on private higher education institutions with more than 3,000 students and large endowments per student. All else being equal, this tax would reduce the available budgets to impacted institutions at a particularly challenging time, as other revenue sources are also being cut.

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Additional changes within the new legislation are:¹

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 - Royalties on federally-funded intellectual property (IP)

Considerations from prior drafts that were not ultimately included:

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- Exception for religious institutions

Implications:

- For some higher ed institutions, there is a fear this tax will disproportionately impact typically unrestricted budget categories, including financial aid, faculty and university maintenance and infrastructure.^{3, 4}
- Joint Committee on Taxation estimates these changes will increase taxes by an *additional* \$761 million over the next 10 years⁵ (\$380 million was raised in 2023⁶).

Other Taxes

Fortunately, the final OBBB did not contain any tax increases on nonprofit investment pools outside of the endowment tax increase.

2. Charitable Giving Impact

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A new *universal* deduction is reinstated for small donors (previously unavailable post 2021). However, individual and corporate itemized givers must now clear a threshold before deductions apply: 0.5% of adjusted gross income (AGI) for individuals and 1% of taxable income for corporations. In addition, high-income filers face a cap on the deduction benefit at 35% the gift's value.

Charitable Giving Changes ^{7, 8, 9}	Current	OBBB Language	Impact to Giving	Giving Impact (\$)	Tax Revenue ¹⁰ (2025–2034)
Individual Nonitemized Deduction Increase	No deduction if a taxpayer does not itemize	Deduction for non-itemizers. Cap of \$1,000 (\$2,000 for joint returns)	Smaller donors incentivized to give more	n.a., but estimate positive	-\$73.75 billion
Limitation on Tax Benefit of Itemized Deduction	No floor	Create a 0.5% AGI floor for itemizers	Disincentivizes giving below 0.5% floor	n.a., but estimate negative	+63.107 billion
	Value is 37%, the marginal tax rate avoided by giving	Cap the value of the charitable deduction for high income taxpayers in the 37% tax bracket to ~35%	Reduce incentive for major gifts from high-capacity donors	-\$4.1 to -\$6.1 billion per year ¹¹	+255.515 billion (<i>all deductions, not only charitable</i>)
Corporate Itemized Deduction Floor	Corporations can deduct donations up to 10% of taxable income, no floor	1% taxable income floor for charitable contributions by corporations	Disincentivizes smaller corporate donations	-\$4.2 to -\$4.8 billion per year ¹²	+\$16.603 billion

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Implications:

It will be important for nonprofits to understand their donor base to see how they might be impacted and how they will need to shift their fundraising strategies going forward to align with these new tax rules. Large donors have become important to many nonprofit organization budgets, so these shifts could be detrimental.

3. Philanthropic Need

While OBBB added some services and eliminated others, it has generally led to a reduction in services across various sectors of the U.S. economy and social system. Below are some of the highest profile services that were reduced which may ultimately lead to an increase in

services and aid provided by nonprofit organizations:

- **Medicaid:** Single largest OBBB spending cut (\$1 trillion over 10 years) and estimated increase of uninsured people by 11.8 million. OBBB impacts Medicaid by tightening eligibility for ACA-expansion adults—requiring 80 hours of verified work a month and eliminating Biden’s “simplified enrollment”. On the provider side, it bars new or higher hospital/MCO provider taxes in expansion states and trims existing ones, and caps state-directed supplemental payments. Finally, states must re-check adults’ eligibility twice a year instead of annually, with additional documentation for income and residency.¹³
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Footnotes

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2. <https://www.crowe.com/insights/how-obbb-could-affect-tax-exempt-organizations>
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TIFF Investment Management



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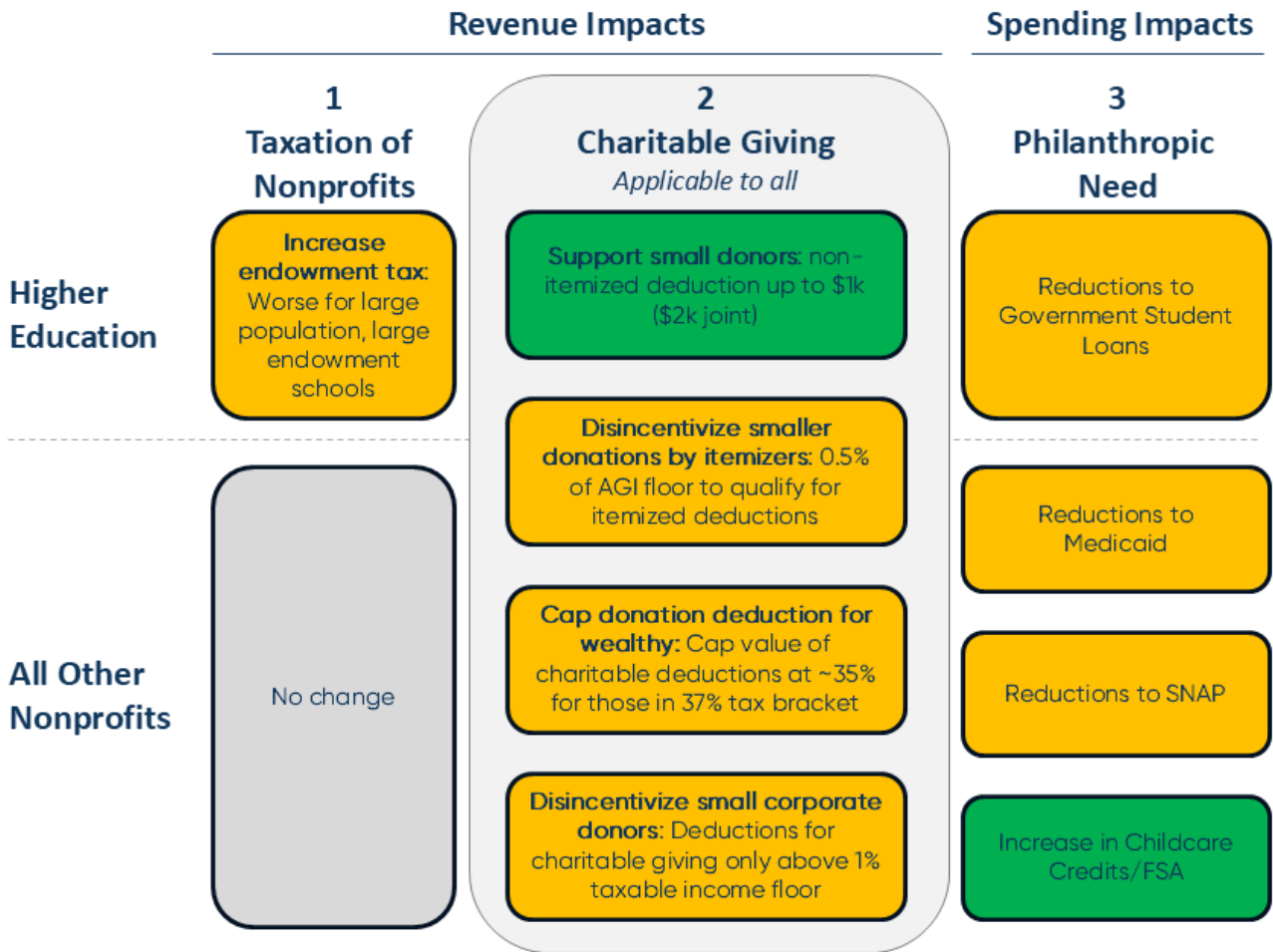
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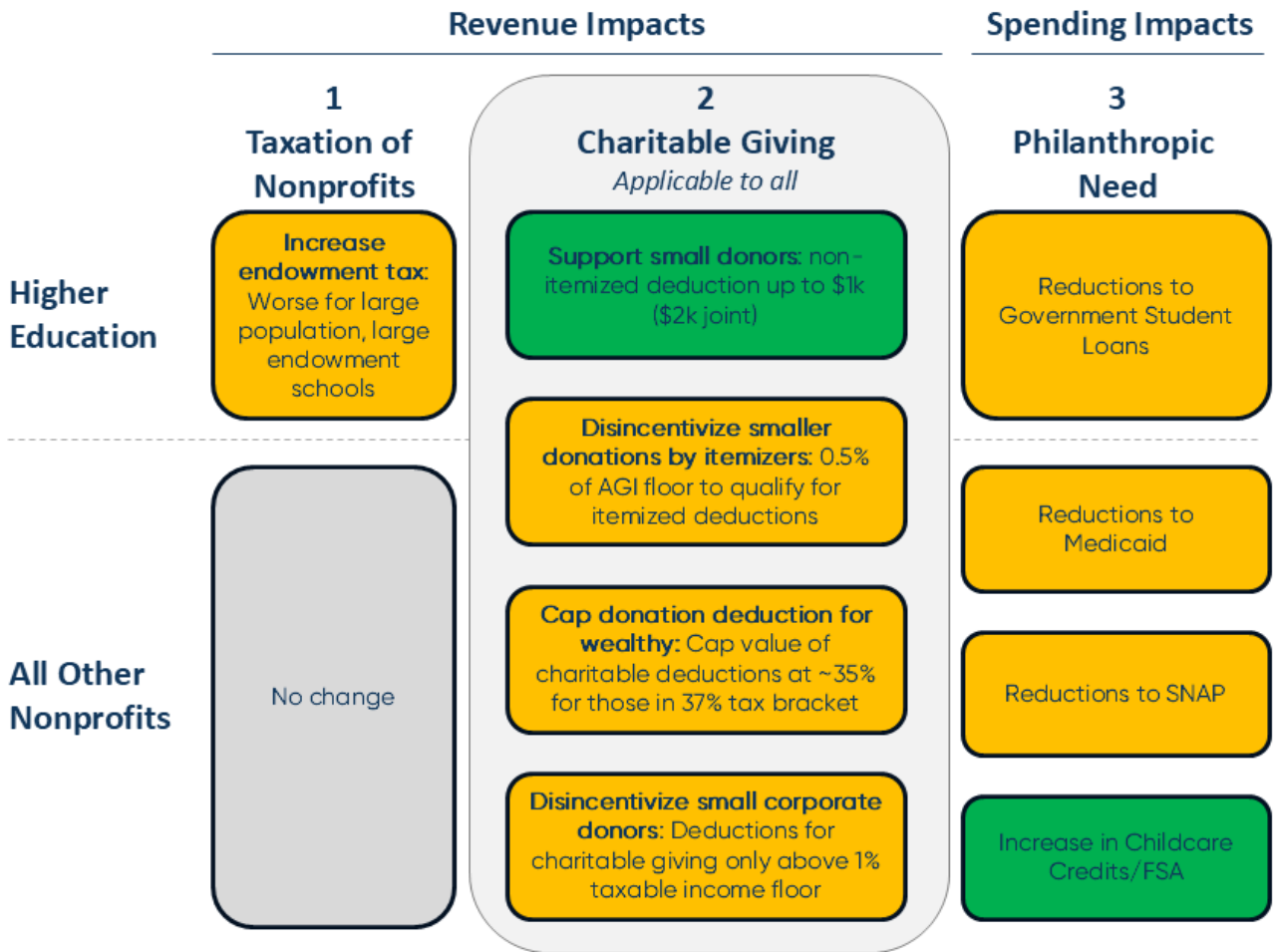
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Summary

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- OBBB contains various components that impact nonprofits and philanthropy at large. While the impact varies by type of institution, OBBB might have the unintended consequence of leaving nonprofits with a greater need to fulfill their mission in support of the community and smaller budgets to do so.

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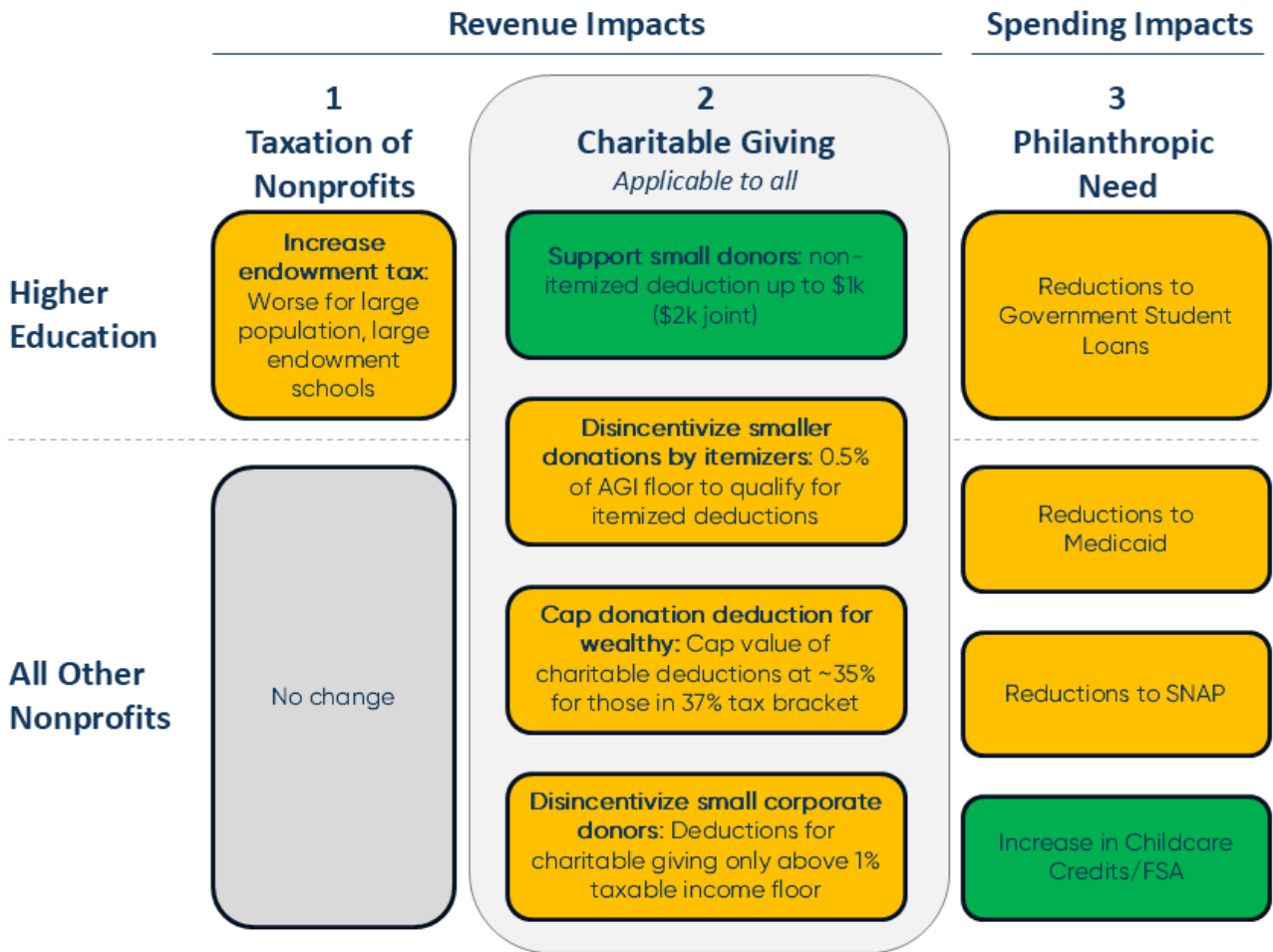
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- For over 3 decades, TIFF has helped nonprofits align their investment portfolio with institutional priorities. During these times of change, TIFF serves as a resource to clients to ensure their portfolio continues to serve the institution in the best way possible.

Overview

One Big Beautiful Bill is now One Big Beautiful Law. President Trump officially signed OBBB on July 4, 2025. Within the almost 900 pages of OBBB, there are a number of changes that directly and indirectly impact nonprofits – particularly through tax changes, charitable giving rules, and reductions in public services.

While the impacts will vary by institution, OBBB is likely to increase the demand for nonprofit services at a time when many organizations are facing tighter budgets.

TIFF has summarized major elements of OBBB and how it broadly impacts nonprofits and philanthropy:



Source: TIFF Analysis.

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Endowment Tax

OBBB increases the excise tax on private higher education institutions with more than 3,000 students and large endowments per student. All else being equal, this tax would reduce the available budgets to impacted institutions at a particularly challenging time, as other revenue sources are also being cut.

Endowed Assets per Student	2017 TCJA (Prior)	OBBB
Below \$500,000 or Student Exemption*	Exempt	Exempt
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Additional changes within the new legislation are:¹

- Expansion of net investment income definition to include:²
 - Interest on institutional student loans
 - Royalties on federally-funded intellectual property (IP)

Considerations from prior drafts that were not ultimately included:

- Any changes to definition of “students” for tier determination (e.g., exclusion of international students)
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Implications:

- For some higher ed institutions, there is a fear this tax will disproportionately impact typically unrestricted budget categories, including financial aid, faculty and university maintenance and infrastructure.^{3, 4}
- Joint Committee on Taxation estimates these changes will increase taxes by an *additional* \$761 million over the next 10 years⁵ (\$380 million was raised in 2023⁶).

Other Taxes

Fortunately, the final OBBB did not contain any tax increases on nonprofit investment pools outside of the endowment tax increase.

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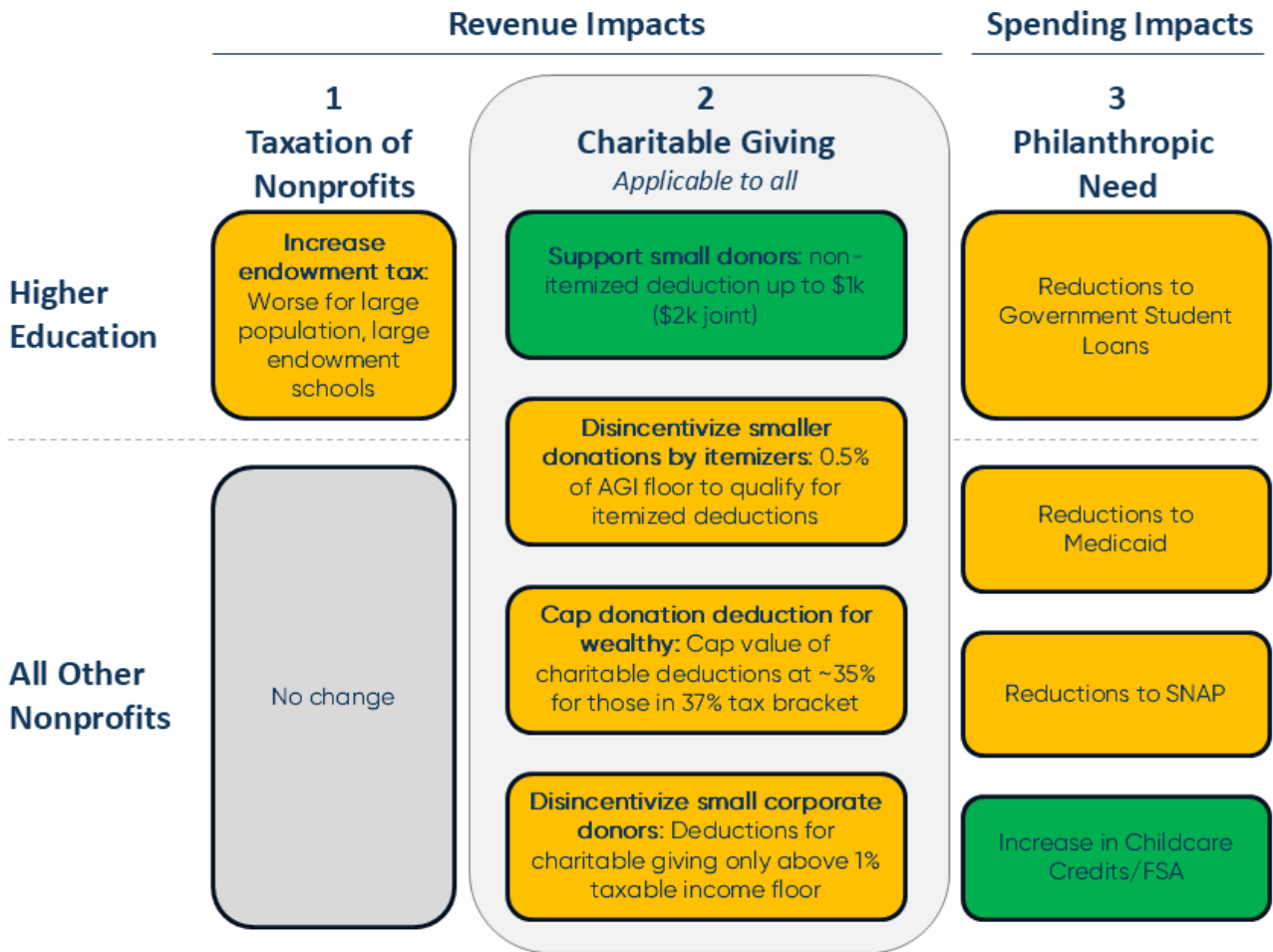
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“should,” “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” the negative of such terms or other comparable terminology. Although TIFB believes the expectations reflected in the forward-looking statements are reasonable, future results cannot be guaranteed.

Footnotes

1. <https://www.ropesgray.com/en/insights/alerts/2025/07/senate-tax-package-includes-major-changes-to-endowment-and-executive-compensation-excise-taxes>
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3. <https://www.thecrimson.com/article/2025/6/18/senate-finance-committee-endowment-tax/>
4. <https://provost.yale.edu/news/actions-anticipation-federal-legislation>
5. <https://www.jct.gov/publications/2025/jcx-35-25/>
6. <https://www.nonprofitissues.com/article/university-endowment-tax-receipts-rise-again>
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8. <https://cof.org/page/one-big-beautiful-bill-impact-philanthropy>
9. <https://www.councilofnonprofits.org/files/media/documents/2025/chart-tax-legislation-2025.pdf>
10. <https://www.jct.gov/publications/2025/jcx-35-25/>
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12. <https://independentsector.org/wp-content/uploads/2025/06/Ernst-Young-Study-on-1-Floor-on-Corporate-Charitable-Donations.pdf>
13. <https://www.kff.org/medicaid/issue-brief/allocating-cbos-estimates-of-federal-medicaid-spending-reductions-across-the-states-senate-reconciliation-bill/>
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15. <https://familyenterpriseusa.com/wp-content/uploads/2025/07/7.3.2025-SPB-Summary-The-One-Big-Beautiful-Bill-Act.pdf>
16. <https://familyenterpriseusa.com/wp-content/uploads/2025/07/7.3.2025-SPB-Summary-The-One-Big-Beautiful-Bill-Act.pdf>

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