

A Tax Shift Ahead? What the 2025 Draft Legislation Means for Private Foundations



ARTICLE 05.13.25 ALLISON CARTER, CPA

On May 12, 2025, the House Ways and Means Committee released its long-awaited draft of proposed tax legislation. If enacted, this could have the most significant impact on tax-exempt organizations since the Tax Cuts and Jobs Act. Below is a summary of highlights in the proposed legislation.

Increase in Rate of Tax on Net Investment Income of Certain Private Foundations

The draft bill proposes an increased excise tax on private foundations' net investment income, which could impact grantmaking and the execution of exempt purpose activities.

- 1.39% in the case of a private foundation with assets of less than \$50,000,000
- 2.78% in the case of a private foundation with assets of at least \$50,000,000 and less than \$250,000,000
- 5% in the case of a private foundation with assets of at least \$250,000,000 and less than \$5,000,000,000, and
- 10% in the case of a private foundation with assets of at least \$5,000,000,000

Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities

A tax would be imposed on the net investment income of an “applicable educational institution”:

- 1.4% in the case of an institution with a student endowment in excess of \$500,000 and less than \$750,000
- 7% in the case of an institution with a student endowment in excess of \$750,000 and less than \$1,250,000
- 14% in the case of an institution with a student endowment in excess of \$1,250,000 and less than \$2,000,000, and
- 21% in the case of an institution with a student endowment in excess of \$2,000,000

See our [article](#) on how this proposed tax bill could impact colleges and universities for a more in-depth explanation of terms.

Unrelated Business Income Increased by the Amount of Certain Fringe Benefit Expenses for Which Deduction is Disallowed

The proposed bill would include qualified transportation fringe benefits and parking facilities disallowed under IRC section 274 in an organization's unrelated business income for the year. This provision was initially included in the Tax

Cuts and Jobs Act and was subsequently repealed.

Name and Logo Royalties Treated as Unrelated Business Taxable Income

The proposed bill would include the sale or licensing of an organization's name or logo as an unrelated trade or business regularly carried on by the organization.

1% Floor on Deduction of Charitable Contributions Made by Corporations

The proposed bill would include a 1% floor on corporate charitable deductions and allow corporations to carry the unused tax benefit forward 5 years, which could help increase charitable giving.

Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize

While the standard deduction was increased, which could impact individuals' ability to deduct charitable contributions, the proposed bill reinstates the deduction for those who do not itemize. The deduction would be reduced from \$600 to \$300 (\$150 for married filing separate and single filers).

Termination of Tax-Exempt Status of Terrorist-Supporting Organizations

This provision would allow the Treasury to revoke the exempt status of organizations deemed to provide "material support or resources" that support terrorist activities.

While the above provisions are just some highlights, there is other proposed legislation that may impact tax-exempt organizations, such as an extension of excise tax on executive compensation for employees earning over \$1 million, changes to the excess business holdings rule for private foundations, updates to the exclusion for publicly available research income, termination of certain energy credits, and other individual and business income tax provisions.

Although the bill is in draft format, we will watch closely as it moves through Congress. If you have any questions about how the proposed legislation may impact your organization, [please contact your trusted Dean Dorton advisor](#).