

Webinar

December 11, 2025



# 2025 NONPROFIT TAX YEAR-END REVIEW

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# Program Description

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This year has brought significant tax changes for churches, higher education institutions, and other exempt organizations to be aware of and plan for. Some are already in effect, while others are coming soon. Join Carr, Riggs & Ingram (CRI) and CapinCrouse, a division of CRI, for a look at the key provisions in the One Big Beautiful Bill Act (OBBA) and other recent developments, along with insight about what these updates may mean for your organization. You'll gain practical takeaways to help you stay compliant and prepared.

# Learning Objectives

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After attending this session, participants will be able to:

1. Identify tax changes during 2025 that directly affect tax-exempt entities, including provisions in the OBBBA
2. Evaluate and plan for how these changes may impact your operations
3. Implement regular annual tax reporting and prepare for future year reporting changes

# Presenters

# Chris Purnell

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# Ashley Peabody

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# Today's Agenda

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- 1. Impact on Charitable Contribution Deductions**
- 2. Individual Income, Gift, and Estate Tax Changes**
- 3. Changes to Education Benefits**
- 4. Payroll and Payroll Reporting Changes**
- 5. Form 990 and Form 990-T Update**
- 6. Year-End Tax Matters**
- 7. Clean Energy Credit Changes**
- 8. Employee Retention Credit Updates**

# Impact on Charitable Contribution Deductions

# Charitable Contributions for Non-Itemizers

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- **Non-Itemizer Charitable Deduction:** \$1,000 for singles, \$2,000 for couples (MFJ)
- **Eligibility Criteria:** Cash contributions to public charities only
  - Does not include gifts to donor advised funds
- **Impact on AGI:** Deduction does not impact AGI; deduction is taken after computing AGI to arrive at taxable income
- **Effective Date:** January 1, 2026

# Permanent 60% AGI Limit for Contributions

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- **Itemized Deductions:** 60% cap introduced by the Tax Cuts and Jobs Act (TCJA) made permanent for cash contributions
- **Impact on Donors:** Encourages larger charitable donations
- **Effective Date:** January 1, 2026

# Polling Question 1

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All of the following statements are true, except:

- A. Married taxpayers filing a joint return who do not itemize deductions on their return can claim a nonitemizer charitable income tax deduction of up to \$3,500 for charitable gifts to public charities other than donor advised funds.
- B. The charitable contribution deduction for nonitemizers goes into effect on January 1, 2026.
- C. The Tax Cuts and Jobs Act first introduced a 60% of AGI limit on cash contributions to public charities beginning January 1, 2018.
- D. The One Big Beautiful Bill Act made the 60% AGI limit for cash contributions permanent effective January 1, 2026.

# New 0.5% AGI Floor Applicable to Individuals' Charitable Contributions

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- **Deduction Eligibility:** Only contributions above 0.5% of AGI are deductible
- **Carry-Forward Provision:** Conditions for carrying forward nondeductible amounts
- **Effective Date:** January 1, 2026

# New 1% Corporate Charitable Deduction Floor

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- **New Limits:** Only contributions exceeding 1% of taxable income are deductible
- **Carry-Forward Provision:** Disallowed amount may be carried forward if total charitable contributions exceed the 10% of net income cap on deducting corporate charitable contributions
- **Effective Date:** January 1, 2026

# Tax Credits for Scholarship Contributions

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- **Income Tax Credit for Individuals:**
  - Up to \$1,700 for contributions to scholarship-granting organizations
  - Reduced by credit allowed on state income tax return
  - Contributions for which a credit is claimed cannot be reported as a charitable deduction
- **Eligibility:** State-published organizations starting January 1, 2027
- **Effective Date:** January 1, 2027

# Limit on Itemized Deductions

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- **Pease Limitation Permanently Repealed:** The Pease limitation, scheduled to return January 1, 2026, permanently repealed
- **New Replacement Limit:** Itemized deductions now reduced by  $\frac{2}{37}$ ths of the lesser of:
  - The amount of itemized deductions before taking this into account
  - The amount of taxable income exceeding the start of the 37% tax bracket (for 2025, this amount is \$626,350 (\$751,600 for MFJ))
- **Effective Date:** January 1, 2026

# Individual Income, Gift, and Estate Tax Changes

# Mortgage Interest Itemized Deduction

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- **Permanent:** Deduct interest paid on up to \$750,000 of qualifying mortgage debt for primary and secondary home
  - New: certain mortgage insurance premiums can qualify as deductible mortgage interest
- **Effective Date:** January 1, 2026

# State and Local Taxes Itemized Deduction

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- **Increased deduction:** \$40,000 for single, MFJ, and head of household; \$20,000 for MFS
- **Phaseout:** The increased deduction amount is reduced by 30% of the amount by which the taxpayer's income exceeds \$500,000 (MFJ)/\$250,000 (MFS) (but not below \$10,000)
  - For 2026, these amounts are \$505,000 (MFJ) and \$252,500 (MFS)
- **Annual increase:** 1% annually from 2026 through 2029, then return to \$10,000 cap in 2030
  - For 2026, these amounts increase to \$40,400 for single, MFJ, and head of household; \$20,200 for MFS
- **Effective Date:** January 1, 2025

# Dependent Care Assistance FSA Limits

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- **Increased Limits:** \$3,750 for individuals, \$7,500 for couples from 2026
- **Impact on Employers:** Adjust benefits packages accordingly
- **Effective Date:** January 1, 2026

# Child Tax Credit Enhancement

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- **Increased Credit:** \$2,200 per dependent
- **Refundable Portion:** \$1,700 per dependent
- **Effective Date:** January 1, 2025

# Changes in Standard Deduction

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- **Permanent Increase for 2025:** \$15,750 for singles/MFS, \$23,625 for head of household, \$31,500 for MFJ
  - For 2026, the standard deduction is \$16,100 for singles/MFS, \$24,150 for head of household, and \$32,200 for MFJ
- **Inflation Indexing:** Base year for inflation indexing reset from 2017 to 2024
- **Effective Date:** January 1, 2025

# Increase in Estate and Gift Tax Exemption

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- **Increased Exemption:** \$15 million per individual
  - Effectively increases the exemption for married couples to \$30 million
- **Inflation Indexing:** Base year for indexing reset from 2016 to 2025
- **Effective Date:** January 1, 2026

# Key Tax Figures Update – 2026

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- Standard Deduction
  - Married Filing Joint \$ 32,200
  - Head of Household \$ 24,150
  - Single/Married Filing Separate \$ 16,100
- FICA Wage Base \$184,500
- 401(k)/403(b) Elective Deferral Limit \$ 24,500
- 401(k)/403(b) Over Age 50 Catch-up Limit \$ 8,000
- 401(k)/403(b) Aged 60-63 Catch-up Limit \$ 11,250

# Key Tax Figures Update – 2026 (continued)

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- New Roth Catch-up Wage Threshold \$150,000
- HSA Contributions Limits
  - Self only \$ 4,400
  - Family \$ 8,750
- Foreign Earned Income Exclusion \$132,900
- Annual Gift Tax Exclusion \$ 19,000

# Changes to Education Benefits

# 529 Plan Uses

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- **Expanded Scope – Primary and Secondary Education:** Now includes numerous additional fees beyond tuition, including—
  - Curriculum, books, online educational materials, and other instructional materials
  - Tuition for tutoring or educational classes outside the home
  - Exam fees (e.g., advanced placement)
  - Educational therapy
- **Effective Date:** July 4, 2025

# 529 Plan Uses (continued)

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- **Expanded Scope – Postsecondary:** Now includes credentialing program costs, including tuition, books, supplies, testing fees, and professional continuing education fees
- **Effective Date:** Change effective July 4, 2025
- **Increase in Allowable Primary and Secondary School Expenditures:** Primary and secondary school expenditures from 529 accounts are increased from \$10,000 to \$20,000
- **Effective Date:** January 1, 2026

# Educational Assistance Program Provisions

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- **Student Loan Repayment:** Permanent inclusion in tax-free educational assistance (IRC § 127)
  - Originally added as part of the CARES Act
- **Annual Limit:** Up to \$5,250 per employee, indexed for inflation
- **Effective Date:** Student loan repayment change effective immediately; indexing begins after 2026

# Polling Question 2

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All of the following statements are NOT true, except:

- A. 529 plan funds can be used to pay up to \$20,000 in primary school tuition in the fall of 2025.
- B. 529 plan funds can now be used to pay continuing professional education fees.
- C. The \$1,700 credit for contributions to state scholarship-granting organizations is allowed irrespective of whether a credit is claimed on a state income tax return.
- D. Employees receiving qualified overtime pay may now deduct up to \$50,000 in qualified overtime pay from taxable income.

# Payroll and Payroll Reporting Changes

# Overtime Pay and Tip Deductions

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- **Overtime Pay Deduction:** New deduction for qualified overtime pay – \$25,000 (MFJ), \$12,500 (single)
- **Tip Deduction:** \$25,000 in qualified cash tips, which must not be an automatic gratuity or mandatory service charge
- **Joint Return Requirement:** For married individuals, the deduction must be claimed on a joint return
- **Phaseout Criteria:** \$300,000 (MFJ)/\$150,000 (single)
  - \$100 for each \$1,000 of AGI above phaseout threshold
- **Effective Date:** January 1, 2025

# Penalty Relief for Overtime Pay and Tip Reporting

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- The OBBBA requires that employers include information regarding qualified tips and qualified overtime pay on Form W-2
  - Failure to include this information would result in a penalty
- The IRS has now granted transition relief for W-2s issued for 2025
  - The employer is permitted to omit this information from Form W-2 without fear of penalty
- The IRS nonetheless encourages employers to provide employees with the information to aid them in claiming the related deduction

Source: [IRS Notice 2025-62](#)

# Penalty Relief for Overtime Pay and Tip Reporting (continued)

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- Treasury has published proposed regulations with a list of “occupations where workers customarily and regularly receive tips”

Code	Occupation Category
100s	Beverage and Food Service
200s	Entertainment and Events
300s	Hospitality and Guest Services
400s	Home Services
500s	Personal Services
600s	Personal Appearance and Wellness
700s	Recreation and Instruction
800s	Transportation and Delivery

Source: [Proposed REG-110032-25](#)

# Wage and Contractor Reporting Requirements

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- **W-2 Forms:** Employers must report overtime and tips starting in 2026
- **Forms 1099:** Reporting threshold raised from \$600 to \$2,000
  - **Effective Date:** January 1, 2026
  - **Indexing for Inflation:** Begins in 2027; increase rounded to nearest multiple of \$100

# Polling Question 3

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All of the following statements are true, except:

- A. The standard deduction for married couples filing a joint return is \$32,200.
- B. Beginning in 2026, a non-itemizing single taxpayer can claim a \$1,000 charitable contribution deduction.
- C. The OBBBA creates a new 1% floor applicable to individual charitable contributions.
- D. The AGI limit for cash charitable contributions to public charities has now been permanently increased to 60% of AGI.

# Form 990 and Form 990-T Update

# Form 990 and Form 990-T Update

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- There have been no recent changes to the Form 990 or Form 990-T, and none are anticipated for 2026
- The penalty for late filing a Form 990 has been inflation-adjusted to the following:
  - For organizations with gross receipts of not more than \$1,339,500, \$25/day up to a maximum of the lesser of \$13,000 or 5% of gross receipts
  - For organizations with gross receipts in excess of \$1,339,500, \$130/day up to a maximum of \$66,500

# Depreciation

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- **Bonus depreciation:** 100% deduction made permanent
  - **Effective Date:** January 20, 2025 (40% bonus depreciation still applies for property acquired 1/1/2025 – 1/19/2025)
- **Section 179:** Expensing amount increased to \$2.5 million
  - **Phase-out:** Total acquisitions over \$4 million
  - **Effective Date:** January 1, 2025

# Qualified Business Income (QBI) Deduction (199A)

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- **Permanent:** 20% deduction for owners of qualifying partnerships, S corporations, and sole proprietors
  - Taxpayers with at least \$1,000 of QBI from an active trade or business may receive a minimum deduction of \$400, indexed for inflation
- ***For trust filers only:*** Corporations are not allowed the deduction
- **Effective Date:** January 1, 2026

# Year-End Tax Matters

# Year-End Tax Reporting

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- Form W2
  - Confirm you have updated address information in your payroll system
  - Confirm you have current addresses for former employees who separated from service during the year
- Forms 1099-NEC and 1099-MISC
  - Make sure you have a completed Form W-9 for all contractors or Form 1099-MISC recipients
  - You should periodically review the rules for when a 1099-NEC and 1099-MISC are required

# Year-End Tax Reporting (continued)

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- Due dates for filing forms

Form	Recipient Copy	Government Copy (paper filed)*	Government Copy (e-filed)
Form W-2	February 2, 2026	February 2, 2026	February 2, 2026
Form 1099-NEC	February 2, 2026	February 2, 2026	February 2, 2026
Form 1099-MISC	February 2, 2026	March 2, 2026	March 31, 2026

- A single 30-day extension of time to file the government copy of Form W-2 for Form 1099 may be applied for by filing [Form 8809](#)

\*Organizations that file more than 10 tax forms (including Form 990, Form 990-T, Forms W-2, and Forms 1099) must electronically file.

# Year-End Matters

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- Tax-deductible contribution receipting
  - Timing of issuing receipts
    - Receipts must be received by the donor by the earlier of:
      - The date on which the donor actually files their federal income tax return; or
      - The due date (including extensions) of the return
    - If your organization issues annual donor statements, rather than receipts as gifts are made, as a matter of good donor relations, annual donor statements should be issued by January 31 to ensure donors have this information before filing their returns

# Year-End Matters (continued)

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- Tax-deductible contribution receipting (continued)
  - To claim a deduction for a single gift that is \$250 or more, a donor must obtain a contemporaneous written acknowledgement (i.e., a receipt) of the gift from the charity
  - Required elements of contemporaneous written acknowledgment:
    - The acknowledgement must have the elements described in [IRS Publication 1771, Charitable Contributions](#)
    - Receipts should specifically include a statement regarding goods and services provided in exchange for a gift or a statement that no goods or services were provided (a quid pro quo statement)

# Year-End Matters (continued)

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- Tax-deductible contribution receipting (continued)
  - Sample quid pro quo statements
    - Churches commonly use this text:

“No goods or services were provided in exchange for your gift other than intangible religious services.”
    - Other organizations commonly use this text:

“No goods or services were provided in exchange for your gift.”
    - If goods or services were provided, use this text:

“You received goods or services with an estimated fair market value of \$\_\_ in exchange for your gift.”

# Year-End Matters (continued)

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- Housing allowance
  - A housing allowance must be designated in advance of payment by an official action of the governing body, such as a board resolution
  - Best practice is to complete these designations by December 31
    - But no later than the first payroll run in 2026

# Year-End Matters (continued)

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- Review ministerial taxation reporting more generally
  - Ministers are not subject to FICA taxation
  - Voluntary withholding arrangements should be updated using Form W-4
  - If you have hired any new ministers or newly ordained, licensed, or commissioned any minister, check with your payroll provider to ensure they are correctly classified and the withholdings are accurate

# Polling Question 4

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All of the following statements are not true, except:

- A. The \$5,250 limit on Section 127 educational assistance program payments will be indexed beginning in 2028.
- B. The new deduction for overtime pay allows a \$20,000 deduction for married couples filing a joint return.
- C. The maximum amount that can be contributed to a dependent care flexible spending account is now \$7,500 (MFJ)/\$3,750 (single).
- D. The reporting threshold for Forms 1099-MISC and 1099-NEC has been doubled to \$1,200.

# Clean Energy Credit Changes

# Clean Energy Credit Changes

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- **Inflation Reduction Act (IRA) Clean Energy Credit Changes:**
  - The expiration dates of numerous credits have been adjusted

Clean Energy Credit	Section	New Phaseout Date
Commercial Clean Vehicle Credit	45W	Vehicles purchased after September 30, 2025
Alternative Fuel Vehicle Refueling Property Credit	30C	Property acquired after June 30, 2026
Energy-Efficient Commercial Buildings Deduction	179D	Construction beginning after June 30, 2026
Clean Electricity Production Credit – Wind and Solar Projects	45Y	If construction begins after July 4, 2026, the project must be placed in service by December 31, 2027
Clean Electricity Production Credit – All Other Clean Energy Projects	45Y	Largely unchanged from prior law

# Clean Energy Credit Changes (continued)

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- **IRA Clean Energy Credit Changes (continued):**

Clean Energy Credit	Section	New Phaseout Date
Clean Electricity Investment Credit – Wind and Solar Projects	48E	If construction begins after July 4, 2026, the project must be placed in service by December 31, 2027
Clean Electricity Investment Credit – All Other Clean Energy Projects	48E	Largely unchanged from prior law

# Employee Retention Credit Updates

# Enhanced Employee Retention Credit (ERC) Enforcement Provisions

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- **Enforcement Provisions:**
  - **Penalties:** A \$1,000 penalty for each failure to comply with due diligence requirements by “COVID-ERTC promoters”
  - **Documentation:** Promoters must demonstrate eligibility assessments and provide documentation to avoid penalties
- **Effective Date:** July 4, 2025

# Changes to ERC Claim Provisions

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- **Claims and Refunds:**
  - **Claim Limitations:** Refunds for ERC claims for Q3 and Q4 of 2021 are limited to those filed by January 31, 2024
  - **Extended Assessment Window:** The IRS can assess penalties on ERC claims for the third and fourth quarters of 2021 for up to six years
- **Effective Date:** July 4, 2025

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# QUESTIONS?

**THANK YOU**