



Interpreting OBBB: New Tax Law Implications for Nonprofits and Philanthropy

Summary

- One Big Beautiful Bill (“OBBB”) was signed into legislation on July 4, 2025, by President Trump.
- 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.
- 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.

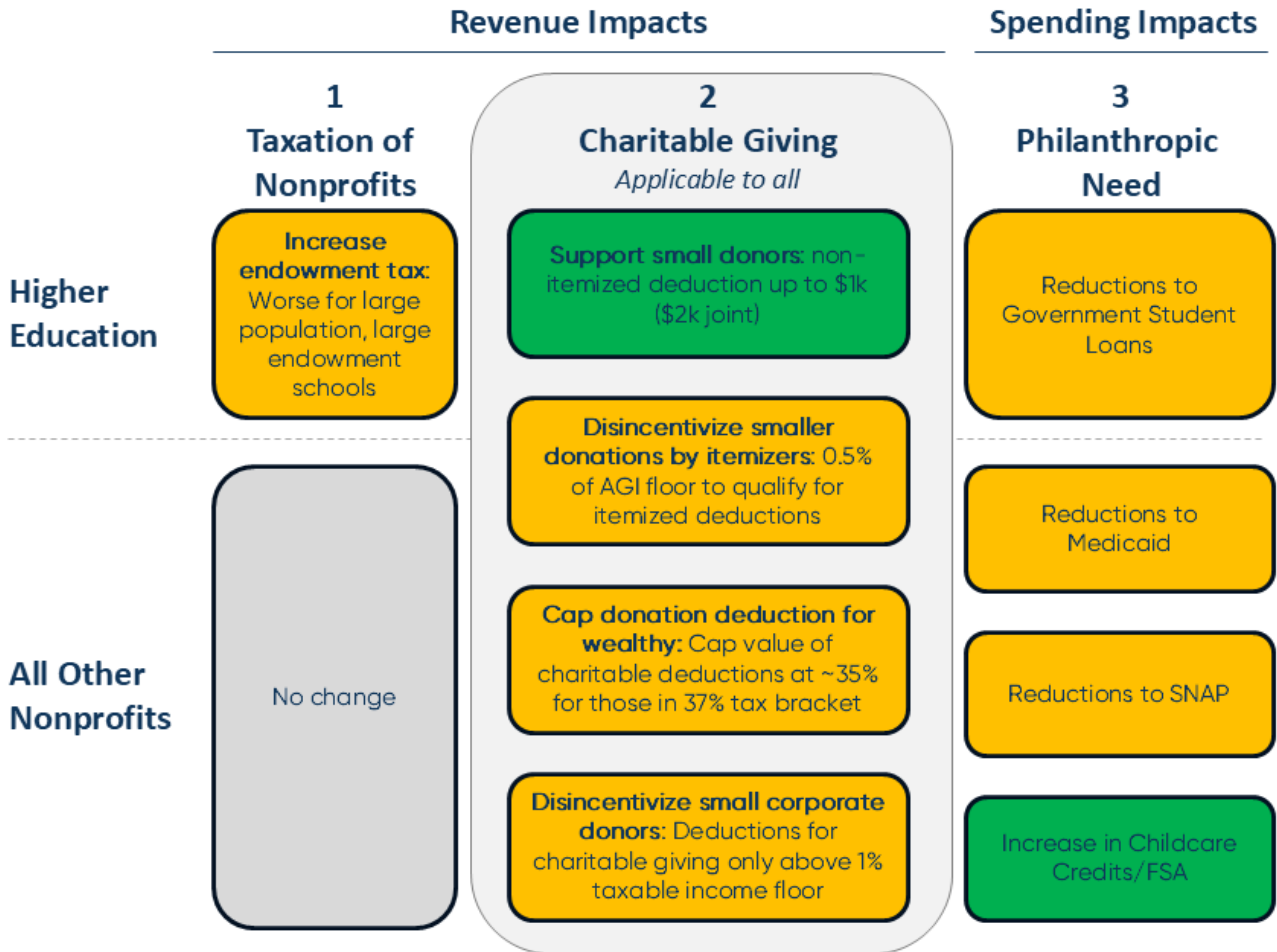
Overview

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.

1. Tax Impact

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
Between \$500,000 and \$750,000	1.4%	1.4%
Between \$750,000 and \$2,000,000		4%
Above \$2,000,000		8%

*2017 student exemption was <500 full time students. OBBB exemption has been raised to 3,000 full time students. Source: OBBB.

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)
- 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

OBBB makes four major changes to charitable donation / giving rules for both individuals (three changes) and corporate entities (one change). While these changes broadly represent a reshuffling of incentives with an overall negative estimated impact, the law negatively

impacts large donors—wealthy individuals and corporations—and helps smaller, everyday donors.

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

- **Impact:** Healthcare

- **SNAP:** OBBB cuts an estimated \$186 billion over 10 years and CBO estimates 3 million to drop out or lose benefits from the program. The changes reduce funding, shifts a portion of its cost to states (up to 15%), and changes work and documentation requirements.¹⁴

- **Impact:** Food security

- **Student Loans:** OBBB had a major overhaul for government student loan, with loan options decreasing, in particular for graduate students, and repayment plans becoming less generous. OBBB cuts back how much students can borrow from the government, with the sharpest reductions for graduate and professional programs and eliminates popular options entirely (Grad PLUS). Only two repayment plans remain, monthly bills will generally be higher, and forgiveness now comes after 30 years instead of 20–25. Finally, borrowers can pause payments for just 12 months total over the life of the loan.

- **Impact:** Financial aid

There are some notable positive service additions, including:

- **Child and Family Policies:** A number of changes to help families with children, including permanent Child Tax Credit under TCJA, permanent increases to Child and Dependent Care Tax Credit to 50%, increase of dependent care FSA and “Trump Accounts” for sub 8-year-olds savings.¹⁵
- **Tax Relief for Seniors:** \$6,000 standard deduction for individuals over 65 for the next 3 years. Phaseout for those earning over \$75,000 (or \$150,000 joint filers).¹⁶

Implications:

- TIFF has identified several key areas within OBBB where service reductions could significantly affect community needs. These cuts may leave your nonprofit constituents with fewer resources, potentially increasing their reliance on your organization’s services and support.

Preparing for Change: Nonprofit Action Steps

What steps can nonprofits take to effectively respond to the anticipated changes resulting from OBBB?

Understand impact to budget:

Endowment Tax: If you are a higher education institution, understand your tier and tax implication to your budget. It will also be important to understand tier management if you are near a breakpoint.

Change in Giving: For all institutions, evaluate donor profiles to anticipate shifts in giving patterns. Your fundraising staff may need to alter its strategy to help donors maximize their giving.

Understanding impact to your institution's focus areas:

Look at how the OBBB impacts your service areas and how the need for philanthropy may change. It may increase or evolve from where it is today. This may require a refresh on grant making strategy or broader budget approach.

How Can TIFF Help

For more than three decades, TIFF has been helping institutions fund their missions through their investment portfolios. We collaborate closely with organizational leadership and Investment Committees to ensure that portfolio construction is thoughtfully aligned with institutional priorities. In times of change, TIFF has helped clients understand if changing institutional priorities impacts their Strategy Asset Allocation. We also have helped our clients work through scenarios planning on how to best utilize the investment pool's annual withdrawal (if other than 5% for private foundations) and how changes in gifts may impact withdrawal size in the future. We look forward to helping our clients navigate these changes.

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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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