

NONPROFIT PERSPECTIVES

What Changes May Be Coming for Nonprofit Tax Legislation

Charitable giving has been an essential part of the tax code for many years. Therefore, it is important that Congress try to ensure that the value of the charitable deduction does not diminish during any rewrite of the tax code. After all, the charitable contribution deduction is very unique in that it is the only provision that encourages taxpayers to willingly give away a portion of their income to benefit others. Many bills have been introduced recently that could have a big impact on nonprofit organizations, a few of which are discussed below:

S.2648 “Comprehensive Resources for Entrepreneurs in the Arts to Transform the Economy Act,” or CREATE Act, was introduced on March 8, 2016 by Senator Tom Udall. This bill includes a special rule allowing a creator to deduct from gross income the fair market value of a qualified artistic charitable contribution to a tax-exempt organization. A qualified artistic charitable contribution could include any literary, musical, artistic or scholarly composition, or the related copyright.

S.2750 “Charities Helping Americans Regularly Throughout the Year Act,” or CHARITY Act, was introduced on April 6, 2016 by Senator John Thune. This bill would modify several tax provisions including:

- Excluding up to \$100,000 in distributions from an IRA from gross income if the distribution goes to a donor-advised fund and the individual contributing is at least 70 1/2 years of age.
- Reducing the excise tax on investment income of private foundations from 2% down to 1%.
- Requiring all tax-exempt organizations to file their tax returns electronically. The IRS must then make the returns available to the public in a machine readable format as soon as possible.
- When using an automobile for charitable purposes, the standard mileage rate would match the rate for medical purposes (19 cents per mile for 2016 versus the current rate of 14 cents).
- Exempting certain philanthropic businesses from the tax on excess business holdings of private foundations as long as the foundation meets certain requirements, such as all profits going to the charity.



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H.R.5053 “Preventing IRS Abuse and Protecting Free Speech Act” was introduced on April 26, 2016 by Representative Peter Roskam. It has been passed by the House and was received in the Senate on June 15, 2016. This bill prohibits the IRS from requiring tax-exempt organizations to include the name, address or other identifying information of any contributor in annual returns. The bill does include exceptions for contributions made by officers, directors and the five highest compensated employees of the organization. It also includes an exception for any required disclosures regarding prohibited tax shelter transactions.

Being an election year, most legislation will be put on hold until after the election is over, but be sure to stay in contact with your tax advisor on these issues to stay up-to-date with what changes may come.

*Article written by:
Alicia Hammersmith, CPA
Tax Senior*