

Policy Brief: Preparing for the Expiring Provisions of the Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (TCJA) of 2017 introduced significant reforms to the U.S. tax code, several of which are set to expire Dec. 31, 2025. These expirations could have substantial repercussions for nonprofits and human services organizations, jeopardizing funding streams, workforce stability, and service delivery at a time when demand for nonprofit services remains high. Addressing these challenges through advocacy is essential to safeguard the sector's ability to serve communities effectively.

Key Provisions Set to Expire and Their Impact

- **Charitable Contributions Deduction:** The TCJA temporarily increased the adjusted gross income (AGI) limit for cash donations to public charities from 50% to 60%. Expiration of this provision could discourage large donations from high-income taxpayers, directly affecting funding for nonprofits.
- **Standard Deduction:** Nearly doubling the standard deduction simplified tax filing for many Americans; however, it drastically reduced the number of taxpayers itemizing deductions and contributed to a \$252 billion decline in charitable contributions between 2018 and 2021. If the standard deduction reverts to pre-TCJA levels, nonprofits may face continued uncertainty in donation levels.
- **Child Tax Credit (CTC):** This credit was expanded under the TCJA to provide \$2,000 per qualifying child, with a refundable portion adjusted for inflation (\$1,700 in 2024). Its expiration could push millions of children back into poverty, increasing pressure on nonprofits to fill service gaps for struggling families.
- **Employer Credit for Paid Family and Medical Leave:** This credit incentivized employers, including nonprofits, to provide paid leave for employees. Losing this credit could make it harder for nonprofits to offer leave benefits.
- **Opportunity Zones:** These zones encourage investments in economically disadvantaged communities through tax benefits. Expiration could slow economic development and reduce critical funding opportunities for nonprofits engaged in community revitalization.
- **Volunteer Support:** Volunteerism remains a cornerstone of nonprofit operations. Current provisions limiting charitable mileage rates and taxing volunteer awards are barriers that could worsen if not addressed.

Impacts on Human Service Organizations and Communities

- **Funding Shortfalls:** Without incentives like the AGI limit for cash donations or deductions for non-itemizers, donor engagement could decline, straining budgets and limiting capacity.
- **Rising Community Needs:** Expiration of credits like the CTC could leave families with fewer resources, increasing reliance on human services organizations for food, housing, and other essential services.
- **Workforce Challenges:** Nonprofits, already struggling with recruitment and retention, may find it harder to offer competitive benefits without access to paid leave tax credits.

- **Economic Uncertainty:** Opportunity Zone funding has been vital in revitalizing underserved areas. Without it, nonprofits could lose valuable partners and financial resources for community development initiatives.

Advocacy Priorities for Human Service Organizations

- **Protect and Enhance Charitable Giving Incentives**
 - Advocate for bipartisan legislation, such as the Charitable Act, to restore a deduction for non-itemizers and make AGI limits for cash contributions permanent.
 - Push for expanded incentives to encourage donations, particularly during times of economic uncertainty.
- **Support Families Through Economic Relief**
 - Advocate for a fully refundable and expanded Child Tax Credit to combat child poverty, enhance economic stability, and decrease reliance on nonprofits.
 - Promote policies ensuring Opportunity Zone programs, which prioritize community-based development that benefits nonprofits and residents alike.
- **Sustain Human Service & Nonprofit Workforce Capacity**
 - Support the extension or replacement of the employer tax credit for paid family and medical leave to ensure nonprofit employees have access to competitive benefits.
 - Advocate for raising the charitable mileage reimbursement rate and removing taxes on volunteer awards to boost engagement and support.
- **Strengthen Human Service & Nonprofit Infrastructure**
 - Push for multiyear grants and streamlined funding processes to provide financial stability for nonprofits.
 - Advocate for greater flexibility in government contracts to reduce administrative burdens and allow nonprofits to focus on service delivery.