

Public Policy Outlook: Threats & Opportunities for AFP Chapters

Navigating volatility in federal policy implicating nonprofit sector and Support from AFP Global.

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Context – What's at Stake



Major Policy Volatility

Deep implications for nonprofit sustainability and operations.



Broad Member Impact

Affects both federally funded and donor-supported organizations.



Comprehensive Federal Update

Executive, Congress and Courts all shifting nonprofit landscape.



Early Action Critical

Understanding allows for informed advocacy before changes finalize.



Executive Branch – Ideological & Structural Shifts



Agency Cuts

Agencies facing major re-orgs. Some eliminated.

Federal workforce reduction of 500,000 by end of 2025



Policy Targeting

Immigrant, LGBTQIA+, legal aid, civic engagement orgs at risk.



DOJ Grant Revocation

Embedding oversight in nonprofit operations.



Compliance Pressure

Need to reinforce governance and values statements.

Tax Reform: The New Five-Alarm Fire



Charity Redefined

Only basic human needs may remain tax-exempt



Corporate Tax Rates

21% tax on net nonprofit income proposed



Status Elimination

Hospitals and credit unions losing nonprofit status



Endowment Tax Spike

Increasing from 1.4% to 14%

Courts – Unpredictable but Influential



Legislative Landscape – Threats & Opportunities

Opportunities

- Charitable Act: non-itemizer deduction

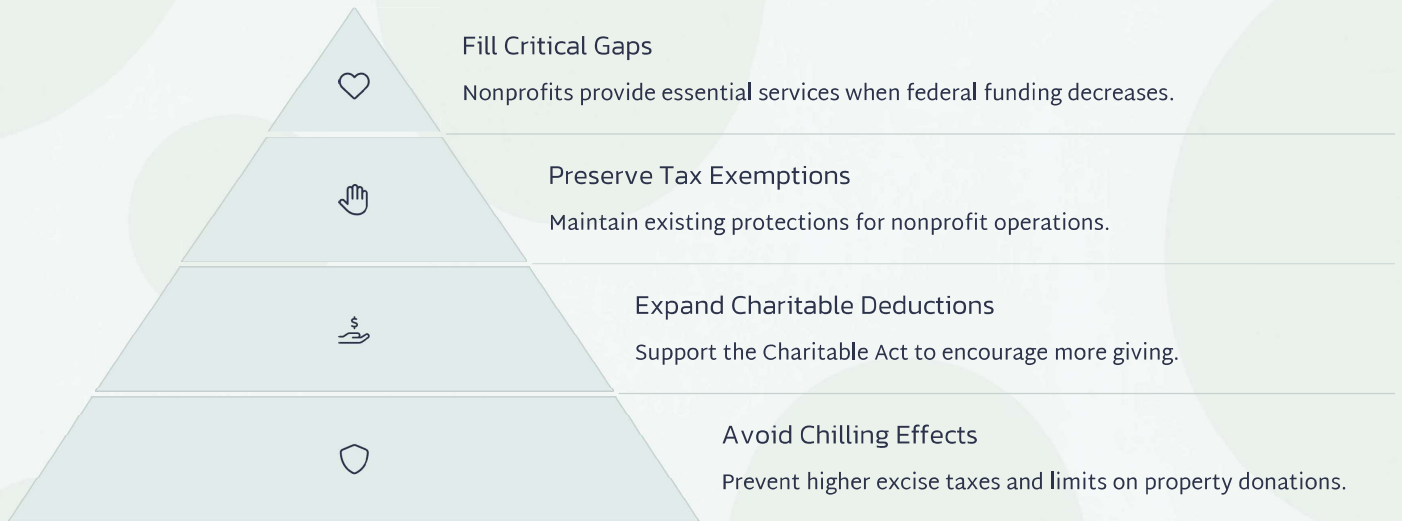
Threats

- Free Speech Fairness Act: political risk
- Foreign Reporting Act
- Medicaid and social safety net programs cut to pay for tax cuts - Ultimately, cuts would harm state budgets

Key Insight

Local nonprofits in Republican districts have crucial advocacy power.

Nonprofit and AFP Priorities in Tax Legislation



Unity in Mission, Diversity in Tactics

Frontline Impact

Fundraisers central to civic and community life sustainability.

Shared Values

Public trust and mission integrity transcend policy differences.

Action Imperative

Stay informed, proactive, and unified in sector protection.







AFP Proactive Legislative Ask – Charitable Act

Restoring the charitable deduction for non-itemizers would significantly boost philanthropic giving nationwide.

- Since the Tax Cuts and Jobs Act implementation, only 7.5% of Americans now itemize their deductions, dramatically reducing giving incentives.
- This tax change resulted in a \$20 billion drop in charitable contributions in 2018 alone.
- The temporary pandemic relief deduction proved effective, generating \$15 billion in additional giving in 2020 and \$59 billion in 2021.
- The Charitable Act proposes maximum deductions of \$5,000 for individuals and \$10,000 for joint filers, potentially stimulating up to \$40 billion in new charitable contributions.

Senate Finance Committee vs. House H.R. 1: Impact on Nonprofits and Charitable Giving

A comparison of key provisions affecting the nonprofit sector:

 Non-itemizer Charitable Deduction Senate: ✓ Permanent \$1,000 (individual) / \$2,000 (joint) House: ✓ Temporary \$150 (individual) / \$300 (joint) for 2025–2028 Impact: Senate version is more generous, permanent, and closer to sector asks like the Charitable Act	 Excise Tax on Private Foundations Senate: No new tax in Senate draft House: New graduated excise tax: 1.39% up to 10% based on asset levels Impact: Senate version more favorable to foundations; House proposal could raise \$15.9B over 10 years
 University Endowment Tax Senate: Graduated tax: up to 8% based on endowment/student ratio House: Graduated tax: 1.4% up to 21% based on endowment/student ratio Impact: Senate has significant increase over current law but less aggressive than House bill	 Executive Compensation Tax Senate: Expands current excise tax to more employees of nonprofits House: Also expands scope Impact: Both versions expand reach beyond current top-5 limit; may reduce nonprofit hiring competitiveness

Key Tax Provisions Affecting Charitable Giving



Limitation on Tax Benefit of Itemized Deduction

This caps how much people can claim for charitable donations on taxes. Wealthy donors in the highest tax bracket would get less tax benefit from donations. This change could reduce charitable giving by \$2-8 billion each year, hurting nonprofits that rely on these major donors to serve communities.



1-Percent Floor On Corporate Charitable Deductions

This creates a minimum threshold for corporate tax deductions on donations. Many businesses would lose tax benefits for their charitable giving. This could reduce corporate donations by about \$4.5 billion per year, affecting important community programs.

Bottom Line:



Senate Finance Bill Advantage

The Senate Finance bill is more favorable to the charitable sector than H.R. 1, featuring a stronger, permanent non-itemizer deduction, omitting several harmful tax hikes, and aligning more closely with sector advocacy priorities.



Concerning Provisions in Both

Both bills include concerning provisions: 35% cap on itemized deductions and 1% corporate giving floor that could impact charitable giving.



House Bill Concerns

The House bill (H.R. 1) contained multiple sector-opposed provisions, including expanded excise taxes on foundations and higher education endowments, plus new UBIT on transportation benefits.

Senate Budget Reconciliation – Latest



Byrd Rule Impacts

Byrd Rule knocked out SNAP, CFPB, Homeland Security provisions from the reconciliation package



AI Regulation Moratorium

10-year block on enforcing local/state AI laws remains in the current reconciliation text



Budget Impact

Estimated \$441B cost under Senate's "current policy" accounting methodology



GOP Resistance

Moderate GOP Senators like Murkowski raising concerns on proposed budget cuts



Timeline Shifts

Floor vote likely delayed; complete reconciliation text expected this week

Chapter's Advocacy Role

Build relationships early

Connect with elected officials before you need their help. Invite them to events and program launches to establish meaningful connections.

Take strategic action

Leverage AFP's advocacy tools during Lobby Week and participate in coordinated email campaigns for maximum impact.

Keep officials informed

Share impact reports and success stories regularly. Make elected officials feel like valued partners in your mission's success.

Celebrate public wins

Acknowledge public officials' support in newsletters and at events. Build goodwill that can be drawn upon for future advocacy needs.

AFP Tampa Case Study

Rapid shifts in the Trump Administration have caused concern among Tampa Bay's 10,000+ nonprofits, particularly the 1,500 organizations partnering with government agencies who fear service disruptions.

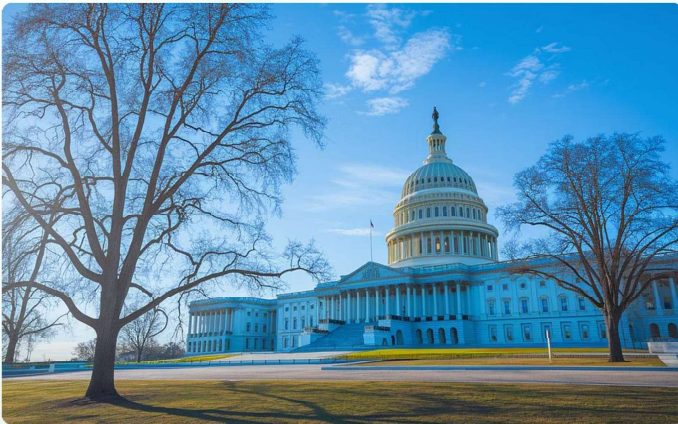
Roy Jones, government affairs committee leader, views this as "our time to look at opportunities to thrive under the new dynamics." He's working with AFP Tampa Bay leadership to encourage nonprofit engagement with officials at all levels.

The Tampa Government Affairs Committee recommends four critical steps:

1. **LEARN THE TRUTH.** Look beyond headlines to understand actual impacts of changing priorities and budget cuts. While USAID is being restructured under Secretary Rubio, humanitarian assistance remains prioritized. Be a reassuring voice of facts during uncertainty.
2. **FIND COMMON ALLIES.** Identify connections to government officials who can amplify your story to decision-makers. Review your donor base for potential advocates with established connections. The committee can help coordinate messaging.
3. **STAY FOCUSED ON YOUR MISSION.** A clear mission strengthens grant eligibility. Regularly revisit it to align programs with evolving community needs, empower your team, and maintain consistent messaging for donors and partners.
4. **KNOW THE RULES & USE THEM.** Nonprofit lobbying is legal with limitations. The Lobbying Disclosure Act only requires registration if employees spend over 20% of their time lobbying. Consult legal counsel for specific guidance.

Take Action

Support AFP's advocacy initiatives through these important channels:



Chapter Lobby Week: June 16–20

Access resources for effective outreach to Members of Congress at afpglobal.org/lobbyweek2025 - Not too late!

Join Our
Digital Advocacy
Campaign for
Civic Engagement



Support the Charitable Act

Fill out the action alert and share with others to let legislators know you support the Charitable Act at afpglobal.org/charitable-act

Questions? Let's Connect

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