

Private Foundations Bulletin

Private Foundations Emerge Largely Unscathed from the Final Tax Law

By the Private Foundation Services Team at PKF O'Connor Davies

On Friday, July 4, the President signed "The One, Big, Beautiful Bill" (OB BB) into law. Despite months of behind-the-scenes work to shape the original legislation, many tax provisions that had cleared the House of Representatives in May were ultimately excluded from the final version.

Key Provisions in the Final Law Impacting Private Foundations

Of the roughly five original provisions that would have directly impacted private foundations, only one survived in the final law. That remaining provision expands the excise tax on excess compensation to apply to **all** employees within tax-exempt organizations who earn above the \$1 million threshold. However, because only a small fraction of foundations employs individuals at that compensation level, the practical impact on the sector as a whole is expected to be minimal.

Other Provisions with Sector-Wide Implications for Charities

While in-depth analysis of the law's long-term implications will continue to unfold in the coming weeks and months, several provisions will have sector-wide significance for charitable organizations. These include:

- **Permanent non-itemizer charitable deduction capped** at \$1,000 for individuals and \$2,000 for joint filers.
- **Permanent extension of the 60% AGI limit** for cash contributions to qualified charities.
- **0.5 percent floor on charitable deduction** for individuals who itemize.
- **A 35% cap on the total value of itemized deductions** including charitable contributions.
- **1 percent floor on the corporate charitable deduction.**
- **Permanent extension of the increased estate and gift tax exemption.**

For further insights into the law's impact on charitable organizations, please stay tuned for upcoming articles.

Ongoing Uncertainty

While the final law removed many of the provisions that would have affected private foundations, there is still a risk that similar proposals may be reintroduced in future legislative efforts. Since the passing of the Bill, Congressional leaders have indicated a willingness to revisit tax policy in the coming months, potentially through bipartisan efforts. We remain committed to closely monitoring legislative and regulatory activity from Congress, the Treasury Department and the IRS that could affect private foundations and will keep you informed.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

Thomas Blaney, CPA, CFE
Partner, Co-Director of Foundation Services
tblaney@pkfod.com

Joseph Ali, CPA
Partner
jali@pkfod.com

Scott Brown, CPA
Partner
sbrown@pkfod.com

Anan Samara, EA
Partner
asamara@pkfod.com

Christopher Petermann, CPA
Partner, Co-Director of Foundation Services
cpetermann@pkfod.com

Elizabeth Gousse Ballotte
Partner
eballotte@pkfod.com

Michael R. Koenecke, CPA
Partner
mkoenecke@pkfod.com

PKF O'Connor Davies provides the information in this e-newsletter for general guidance only and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.