

# Session #3

# “Response”

**July 22, 2025**



A collaborative initiative of Foundation For The Carolinas, United Way of Greater Charlotte, The Lee Institute and SHARE Charlotte

# Welcome

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# Workshop 1

## OBBA Impacts



**Matthew R. Kain**

Member, Wealth & Estate Planning  
Moore & Van Allen

# The One Big Beautiful Bill Act:

## Examining the Impacts on Nonprofits and Charitable Giving

Nonprofit Business Agility Series - Response  
Carolina Theatre

July 22, 2025

PRESENTED BY

**Matthew R. Kain**  
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# Overview of OBBBA

- Signed into law July 4, 2025
- 940 pages of budget reconciliation measures
- Extends and expands provisions of the 2017 Tax Cuts and Jobs Act (TCJA)
- Cuts federal spending by an estimated \$1 trillion over 10 years, largely via mandatory program reductions
- Fewer provisions directly aimed at tax-exempts than initially proposed
- Changes to charitable contribution deductions

# College & University Endowment Tax

- OBBBA Section 70415 // Code Section 4968
- Effective Date: Tax years after 12/31/25
- Summary:
  - Private colleges and universities – large endowments
  - Tiered excise tax from 1.4% to 8%
  - Endowments in excess of \$500,000 per student
- Key changes:
  - 3,000 tuition-paying students (from 500)
  - Does not exclude foreign students
  - No religious exemption

# Highly Compensated Employees

- OBBBA Section 70416 // Code Section 4960
- Effective Date: Tax years after 12/31/25
- Summary:
  - 21% excise tax on compensation over \$1million
  - Now covers all employees and former employees over \$1million in compensation
- Key changes:
  - Previously limited to 5 highest-paid employees

# NOT included from House Version

- Private Foundations
  - Tiered excise tax on net investment income (Section 4940)
- “Terrorist Supporting Organizations”
  - Revocation of tax-exempt status
- Unrelated Business Income:
  - (1) Sale or Licensing of Name or Logo
  - (2) Qualified Transportation Fringe Benefits – “Parking Tax”
  - (3) Research Activities



# Charitable Contributions

- OBBBA Giveth....
- Non-Itemizers
  - Increased Standard Deduction (\$15,750 / \$31,500 in 2025)
  - Above-the-Line Charitable Deduction
    - \$1,000 for single / \$2,000 for joint filers
    - Must be to a public charity (not PF, SO, DAF)
    - Effective for tax years after 12/31/25
- Itemizers
  - Permanent 60% AGI limit for Cash Gifts
  - Stacking Noncash (30%) and Cash Gifts to 60% limit



# Charitable Contributions

- ... and OBBBA Taketh Away.
- Itemizers
  - 0.5% Floor on Deductibility
    - Combined impact with increase in SALT Deduction
  - New Limitation on Highest Income Earners (35% cap)
- Corporations
  - 1.0% Floor on Deductibility
  - Overall 10% cap on corporate charitable contributions remains unchanged
- All changes effective for tax years after 12/31/25
- Accelerate Gifts / Bunching Deductions

# New Tax Credit – Scholarship Donations

- OBBBA Section 70411 // Code Section 25F (new)
- Effective Date: Tax years after 12/31/26
- Summary:
  - K-12 Scholarships – Private / Religious Schools
  - Nonrefundable \$1,700 income tax credit
  - Contribution to a qualifying Scholarship Granting Organization (SGO)
  - SGOs must spend 90%+ of revenue on scholarships for K-12 students from low-income households
  - Reduced by any state-level tax credit for same donation

# Other Indirect Impacts

- Gift / Estate Tax Exemption
  - Increases to \$15 million, indexed for inflation
- Trump Accounts / Section 530A Accounts
  - Effective Date: Tax years after 12/31/25
  - Summary:
    - Like an IRA for children under 18
    - No distributions until age 18
    - Contributions up to \$5,000 per year (indexed for inflation)
      - Employers – up to \$2,500 per year
      - Government – \$1,000 for children born 2025-2028
      - Tax-Exempts – unlimited to children in “qualified class”

# Major Program Cuts – Ripple Effects

- Funding Cuts:
  - Medicaid spending cut by \$1 trillion over 10 years
  - SNAP (food stamps) reduced, impacting nutrition programs
  - School-meal funding slashed (free/reduced-price meals)
  - Affordable Care Act coverage loss
- The “Double Squeeze”
  - More individuals in need – more demand
  - Community partners forced to fill growing gaps
  - Fewer resources - more competition for philanthropic dollars

# Challenges & Opportunities

- Challenges

- Revenue declines for health and social-service nonprofits
- Greater demand as more people lose coverage/benefits
- Increased administrative burden (new work requirements, reporting)

- Opportunities / Action Steps

- Communicate / Manage Expectations Proactively
  - Standard-Deduction Donors – Engage new audience (\$1k/\$2k)
  - Itemizing Donors – Accelerate in 2025; Bunching/Grouping
  - Corporate Donors – Demonstrate greater impact
  - Adjust fundraising strategies
- Strengthen advocacy efforts at the state level
- Collaborate with sector partners – examine shared service model to reduce overhead

# Thank You

Questions / Thoughts / Discussion

# Q&A





# Workshop 2 Introduction

**Tracy Russ**

SVP, Civic Leadership Strategy & Impact

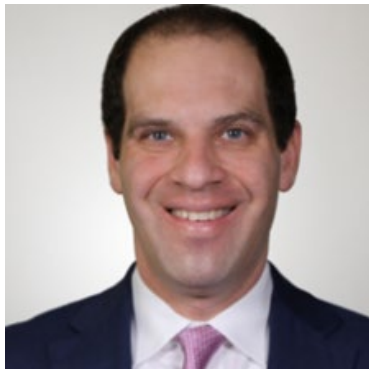
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# Workshop 2

## Scenario Planning



**Peter Blair**

President & CEO  
Lee Institute



**Kathryn Firmin-Sellers**

President & CEO  
United Way of Greater Charlotte



**Laura Lawrence**

President & CEO  
Safe Alliance

# CHARTING YOUR PATH THROUGH UNCERTAIN TIMES



Key data points for success

# REVENUE — SOURCES AND DIVERSIFICATION

What are your revenue sources?

- Governmental
- Grants
- Contributed Revenue (donations)
- Sponsorships
- Earned Revenue (Fees, Tuition, Subscription, etc)

What percentage of revenue do you earn from each source?

- Is there a renewal period for these sources of revenue?
- Are they predictable or not? How reliant can you be on these sources?
- Chart the trends – trailing three-year average - increase (decrease) YOY.
- Are there external risk factors? - increase in competition for grants, Donor fatigue? Changes in earned revenue environment?



# CASH FLOW AND LIQUIDITY

How much cash do you have?

- What are the sources of cash? (Checking, Savings, MoneyMarket, CDs, Endowment holdings, stocks, bonds)
- List of the liquidity of each of these funds (how many days, months, does it take to access? –Are there penalties associated with access?
  - Are there obstacles to access? (endowment principle)
- Are there restrictions on the use of any of these sources? (do the funds have to support a specific use, program, purpose?)
- Quantify the amount of any outstanding payables and receivables
  - Are there any aging receivables? If so, what is the likelihood of collection?



# EXPENSE EVALUATION

- What are your fixed costs? – What costs do not fluctuate regardless of head count?
  - **Occupancy** – do you rent or own your place of business? Is there a rental agreement? If so, for how long? What is the cancellation policy? Do you own your property? What are the tax obligations? Capital expense investment? What is the amount of capital investment you must make to fully fund depreciation?
  - **Utilities** – outline cost by month, using trailing year actuals Create a table totaling those costs monthly
  - **Contracts** - Software licenses, audit fees, contractual relationships – each line item should be outlined, list amount, renewal date, and cancellation terms (60 days auto renewal?)



# EXPENSE EVALUATION

- What are your variable costs? – What costs fluctuate with head count?
  - **Wages** – Quantify the wages for each position in your organization. Create a list of all salaries and hourly wages associated with each position – list each on its own line
  - **Benefits** – health insurance, vision, dental, 401K matching contributions, other
  - **1099 contract staff expenses** – length and severability of these agreements.
  - **Accounts payable**
  - **Future obligations**



# BURN RATE

- Calculate how many days of cash you have on hand for operations.
  - Revenue / (Fixed expenses + variable expenses).
  - Create scenarios for each possibility – eliminate program(s), watch how expenses change or do not.

**– Is the juice worth the squeeze?**





# CONTRIBUTED REVENUE EVALUATION

- **Donor list – create a list of contributions by year**
- Trailing three-year trends and averages – are there any sources at risk?
  - By percentage – individuals, corporations, foundations
  - How many donors renew YOY and are you seeing growth or recession? In volume of donors? In gross contributions? In contribution amount?
  - Monitor shifts in average donation amounts – track early warning signs of donor fatigue as well as deepening engagement.
  - Proactive Stewardship of major donors



# **PROGRAM EVALUATION**

## **- EXPENSE, EFFICIENCY, AND IMPACT**

- Create tables for revenue and expense by program – will be useful in determining scenario outcomes.
- Collect and compile data for program outcomes and impact – identify any efficiencies or inefficiencies.
- Are there sources of revenue that are restricted to specific programs? Is there language in your agreements that stipulate the return or reallocation of funds if the program ceases to exist?
- Are there donors who support specific programs? Will that support be at risk if you eliminate programs?



# SCENARIO PLANNING

- Prepare for multiple futures – not just one!
- Map out optimistic, pessimistic, and most likely revenue projections.
- Know how each scenario may affect your mission-critical operations
- Determine, adopt, and adhere to clear triggers for activating contingency plans.



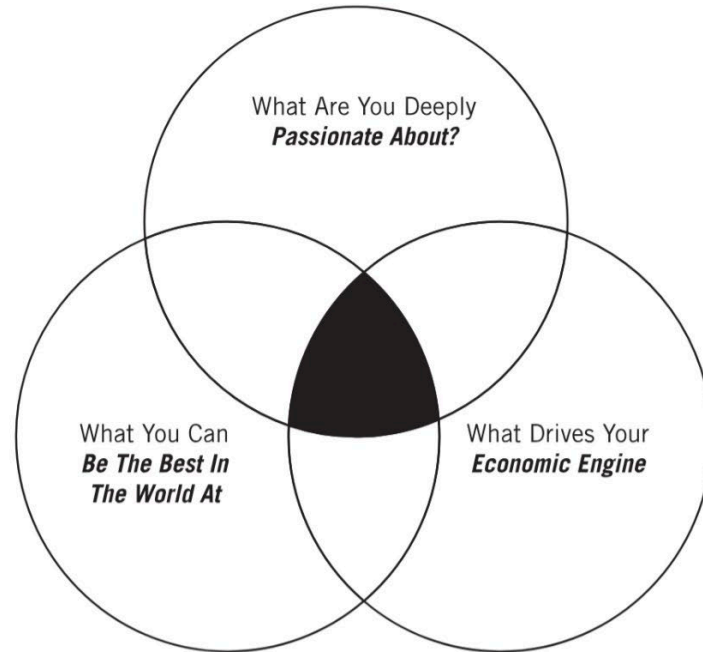
# KEY CONSIDERATIONS

- Don't look at data points in isolation – integrate them into one dashboard for leadership review.
- Schedule and hold regular check-ins on these metrics.
- Share insights transparently with leadership staff, Board, and key stakeholders – builds trust and unity for the path that lies ahead.



# The Hedgehog Concept

## Three Circles of the Hedgehog Concept



# Q&A



# Next Steps



City of Charlotte Poet Laureate

**Jay Ward**  
“Agility”





# NONPROFIT

Business Agility Series

**Reality, Resilience, Response**

A collaborative initiative of Foundation For The Carolinas, United Way of Greater Charlotte, The Lee Institute and SHARE Charlotte

# Thank You!