



The
Informed Nonprofit
A WEBCAST SERIES

2024 Annual Nonprofit Tax Update

DECEMBER 5, 2024

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With You Today



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Learning Objectives



Discuss the new legislation and regulations impacting NFP organizations



Identify the latest IRS (Internal Revenue Service) initiatives and areas of audit focus



Describe the new rulings that could impact your organization and learn ways to address the impact



Agenda for Today

1

Legislative Update

2

IRS Initiatives and Areas of Focus

3

New Rulings and Regulations

4

Other Nonprofit Tax Considerations



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Legislative Update



Proposed Legislation and ERC Updates

- ▶ Foreign Grant Reporting Act
- ▶ American Donor Privacy and Foreign Funding Transparency Act
- ▶ No Foreign Election Interference Act
- ▶ End Zuckerbucks Act
- ▶ Employee Retention Credit (“ERC”)
 - Moratorium placed on claims filed after 9/14/2023 through 1/31/2024
 - IRS used this time to analyze data to help with processing future claims for accuracy and validity
 - Moratorium lifted August 2024 - Resumed processing claims
- ▶ Stop Terror-Financing and Tax Penalties on American Hostages Act (H.R. 9495)





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IRS Initiatives & Areas of Focus



Fiscal Year 2024 Results



10/1/23 - 4/30/24

- ▶ Processed over 78k applications for tax-exempt status

AS OF APRIL 2024

- ▶ Average processing time for Form 1023, exemption application was 117 days

10/1/23 - 4/30/24

- ▶ Approximately 1,500 examinations started, 1,200 closed including prior fiscal years



**EO Audit Technique Guides (ATGs)
and Technical Guides**



IRS
TE/GE 2025
Program
Letter

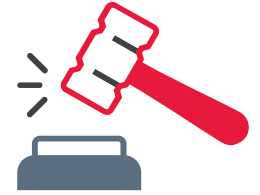
Released 10/29/24, the IRS Tax Exempt and Government Entities (TE/GE) division
FY 2025 “program letter” sets out the TE/GE priorities for the fiscal year



**Better taxpayer
experience**



**Faster issue
resolution**



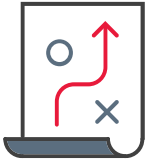
**Smarter
enforcement**



**Advanced technology
and analytics**



**Empowered
employees**



IRS Priority Guidance Plan

- ▶ Group exemption requests on hold until final revenue procedure is issued
- ▶ Guidance related to self-dealing for private foundation investments in partnerships with disqualified persons as partners
- ▶ Guidance regarding the impact of distributions from donor advised funds to the public support computation (“public charity loophole”)
- ▶ Regulations under Sec. 512 regarding the allocation of expenses in computing unrelated business taxable income as well as NOL changes from the CARES act for purposes of the UBTI Silos
- ▶ Guidance illustrating the application of the regulations under Sec. 501(r)



IRS PRIORITY GUIDANCE PLAN:
Donor Advised Funds

Donor Advised Funds

- ▶ Section 4966 excise taxes on sponsoring organizations and fund management
- ▶ Section 4967 excise taxes on donors, donor advisors, related persons and fund management regarding prohibited benefits
- ▶ Section 4958 regarding donor advised funds and supporting organizations

Proposed Donor Advised Fund Regulations

- ▶ Goal is to provide definition/framework of donor advised funds

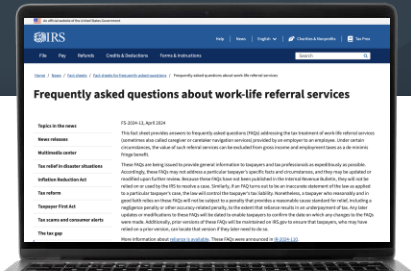


Inflation Reduction Act final regulations issued 3/5/24 addressing IRA provisions for elective pay (“direct pay”) under Sec. 6417:

- ▶ Tax-exempt and government entities can receive direct payments for the value of qualifying clean energy projects or qualifying investments (available for 12 of the IFA’s clean energy tax credits)

Other IRS Guidance

FAQs on Work-Life Referral (WLR) programs in Fact Sheet 2014-13



[CLICK HERE ▶](#)

General Legal Advice Memorandum (“GLAM”) 2023-004 released on 6/9/23 regarding Name, Image, Likeness (“NIL”) collectives qualifying as a Sec. 501(c)(3) organization



Other IRS Guidance

- ▶ PLR 202415003 - UBIT treatment of revenue from certification program
 - Income received by §501(c)(6) trade association for certifying facilities to third-party standards held to be not subject to the Unrelated Business Income Tax (UBIT) because the certifications were substantially related to the trade association's exempt purposes to improve business conditions in the industry as distinguished from the performance of particular services for individual persons.

- ▶ PLR 202347002 - Sec. 501(c)(3) exempt purpose
 - Section 501(c)(3) church-affiliated membership organization provides benefits to families of deceased clergy members. The organization's adoption of a periodic increase in annuity payments and entitling a clergy member to death benefits payable upon the death of the clergy member's spouse furthers an exempt purpose (advancement of religion).



Other IRS Guidance

- ▶ PLR 202342009 - Artwork excluded from minimum investment return
 - Income Artwork acquired by private foundation for lending to other §501(c)(3) organizations may be excluded from its minimum investment return and amounts spent on acquisition are qualifying distributions.



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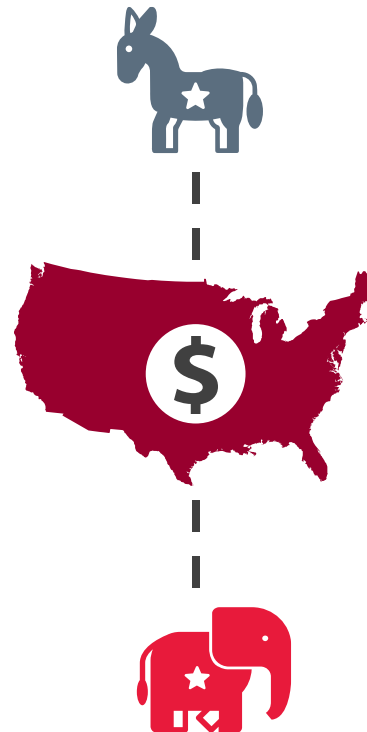
Other Nonprofit Tax Considerations



Other Nonprofit Tax Considerations

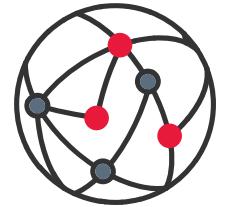
LOBBYING AND POLITICAL ACTIVITY

- ▶ Section 501(c)(3) Organizations
 - Prohibited from engaging in political activity.
 - Insubstantial amount of lobbying activity permissible.
- ▶ Section 501(c)(4),(5) or (6) Organizations
 - Can participate in political and lobbying activities. However, must provide estimate to its members of nondeductible amount of dues or pay a proxy tax.



Alternative Investments - Schedules K-1

- ▶ UBTI and Foreign Filings



Mandatory electronic filing of 990 series and related forms





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Questions?





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