Recent Developments from Capitol Hill, the Courts, and Beyond

Michael Martin, ECFA President & CEO

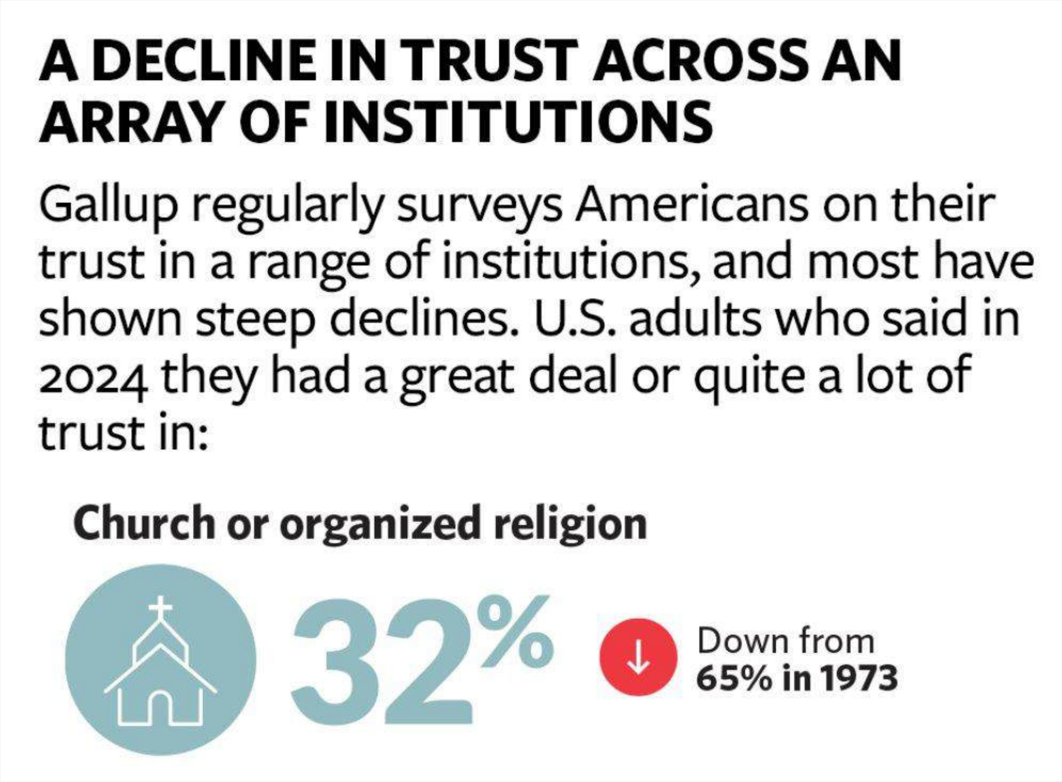
Aaron Mercer, ECFA Director of Public Affairs

“We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man.”

2 Corinthians 8:20-21

Trust

- Americans are less trusting in the church/religion…
- ECFA's mission of Enhancing Trust has never been more relevant!



Enhancing Trust in Christ-Centered Ministries

When an organization earns the right to display the ECFA seal, it joins a community–a movement–dedicated to accountability, integrity, and responsible governance.

The ECFA seal is the gold standard for prospective donors seeking Christ-centered organizations that operate with integrity.

ECFA accreditation signals to an organization’s constituents, donors, and a watching world that it is prioritizing a commitment to honoring their trust.

Question #1

WHAT DOES THE THE “A”
IN “ECFA” STAND FOR?

- A Accounting
- B Answers
- C Accountability
- D Awesomeness

Overview of Today's Session

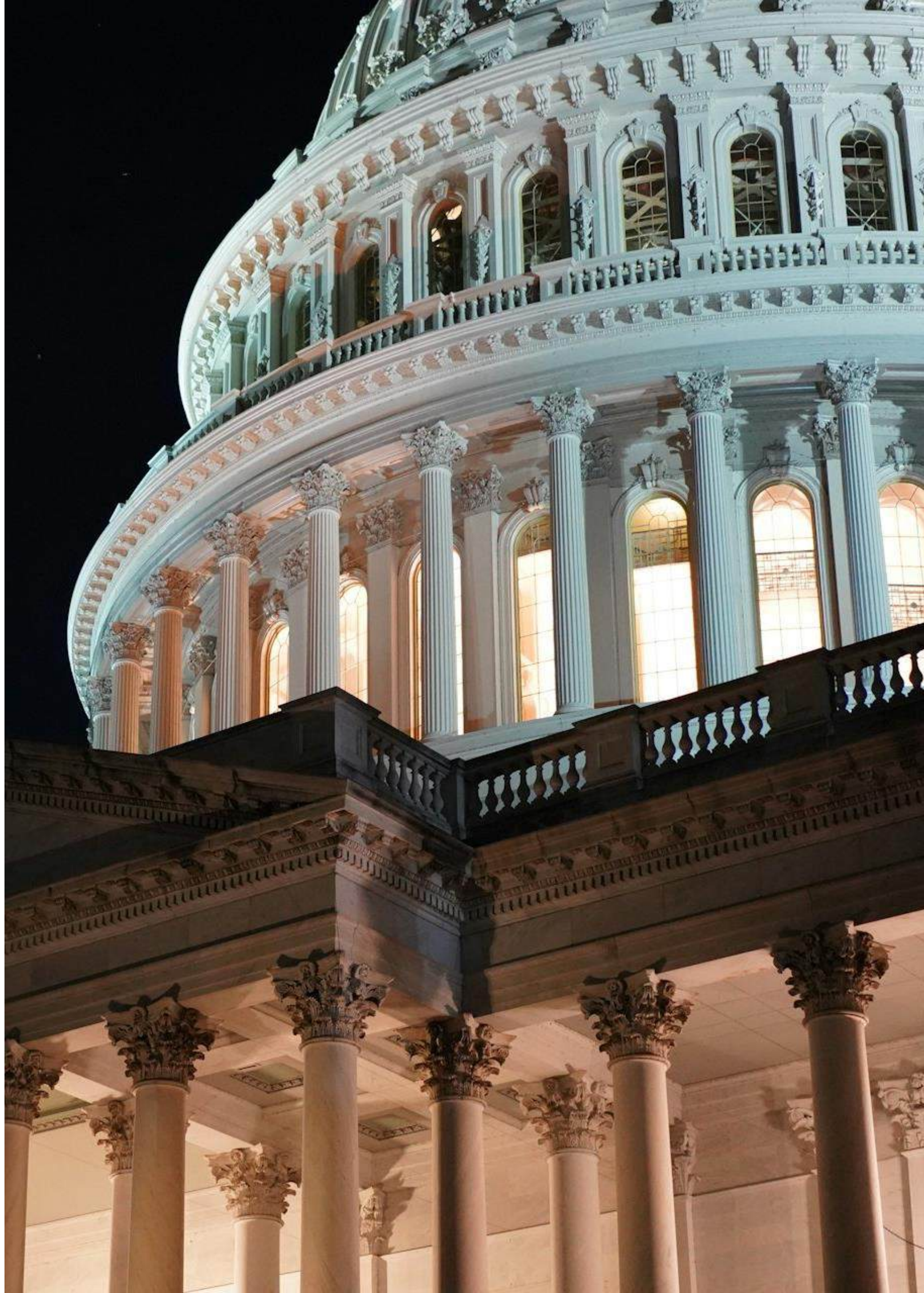
- Congress
- Executive Branch
- The Courts
- Research & Resources

* ECFA is non-partisan. These materials are provided for general information purposes and are not a substitute for legal or other professional advice particular to your situation.

Congress

The One Big Beautiful Bill Act

- Major tax legislation signed into law on July 4, 2025.
- Catalyzed by expiring provisions of the 2017 Tax Cuts and Jobs Act.



The One Big Beautiful Bill Act

Nonitemizer Charitable Deduction

- Revived, expanded, permanent.
- $1,000 for individuals ($2,000 for married couples filing jointly).
- The century-old traditional charitable deduction remains a powerful giving incentive, but its reach has declined (less than 10 percent of filers now itemize).
- OBBBA also made the increased TCJA standard deduction permanent.

The One Big Beautiful Bill Act

Nonitemizer Charitable Deduction

- Builds on a successful pandemic-era experiment that had allowed a $300 above-the-line benefit for donations ($600 for joint filers).
- Despite fueling much-needed giving increases in 2020 and 2021, Congress allowed that provision to expire.
- ECFA and coalition partners advocated for this incentive to democratize it and reinforce habits of giving.

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The One Big Beautiful Bill Act

Charitable Giving Concerns

- New 1% floor for corporations before they can claim a charitable deduction
- New 0.5% floor for individual taxpayers who itemize their giving.
  - Example: A married couple with a joint AGI of $100,000 will find their first $500 in donations is newly taxable if they itemize.
- Value of itemized deductions generally capped at 35%, potentially affecting givers in the highest tax bracket.

The One Big Beautiful Bill Act

Nonprofit Parking Tax – Removed

ECFA rallied more than 650 faith-based organization leaders against this “logically flawed and burdensome proposal” that would add employee parking costs to the UBIT liability of many nonprofit ministries.

Private Foundation Excise Tax – Removed

Senate removed House-passed increase of tax on net investment income from current 1.39% rate to a tiered schedule of rates rising as high as 10% based on a foundation’s level of assets.

June 17, 2025

The Honorable Mike Crapo
U.S. Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
U.S. Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510

Re: The House's Revival of the Nonprofit Parking Tax

Dear Chairman Crapo and Ranking Member Wyden,

As leaders of faith-based organizations, we write to respectfully draw your attention to a tax provision of significant concern in the House-passed reconciliation bill (H.R.1). The "nonprofit parking tax," a logically flawed and burdensome proposal, should be put back in its coffin before this bill advances any further.

The 2017 Tax Cuts and Jobs Act contained a provision like this one that would direct nonprofit organizations to add their employees' qualified transportation fringe benefits, such as mass transit or parking arrangements, to their unrelated business income tax (UBIT) liability. However, that mandate became so burdensome that Congress intentionally repealed it two years later. In fact, then-House Ways and Means Committee Chairman Kevin Brady, who had originally embraced the policy, was instrumental in removing it fully.

As faith-based organizations, we want to emphasize the burden of the current language in H.R.1 on our community. While the House-passed bill modifies the failed nonprofit parking tax by exempting eligible church organizations, many religious nonprofits will still be subject to the pending provision. This includes those that may never have needed to file a 990-T in the past. It is noteworthy and instructive for today's context that Members of Congress in 2019 realized simply exempting church organizations was not the answer to the problem of the parking tax. They eliminated it completely.

We also wish to emphasize the disturbing nature of this parking tax because its logic is so fundamentally flawed. **Imposing a new tax on a nonprofit's expense as if it were income makes no sense,** particularly not an expense made in the normal course of its tax-exempt charitable work. On this note, the text of the bill is very clear. What would be taxed is not what would normally be considered unrelated business income.

The Joint Committee on Taxation anticipates the federal government will extract more than $2.6 billion from nonprofits over the next ten years if this provision is enacted. As shocking as that sum is, it does not include significant new compliance costs that ministries large and small will incur to deal with this burden, as well as possible state-level obligations it would trigger. American givers intended those dollars for charitable missions serving communities in our nation and around the world, not for government coffers.

We ask that you ensure the elimination of the failed "nonprofit parking tax" from any tax legislation that advances in the U.S. Senate.

Thank you for your leadership and attention to these concerns.

Respectfully,

Michael Martin
President and CEO
Evangelical Council for Financial Accountability

Kurt Nelson
CEO
East-West

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The One Big Beautiful Bill Act

Many other provisions, including...

- Permanent extension of estate & gift tax exemption with threshold tied to inflation.
- Form 1099 MISC and NEC reporting threshold increased from $600 to $2,000 and indexed for inflation.
- New deductions through 2028 for seniors 65+, eligible overtime pay, and eligible tips. Increased SALT deduction cap until 2029.
- Child Tax Credit's TCJA increase made permanent and enhanced to $2,200 max per child – to be adjusted for inflation moving forward.
- College and university endowment taxes of 1.4% to 8% based on level of assets per student.

Question #2

NONITEMIZING JOINT FILERS CAN DEDUCT UP TO __?__ FOR DONATIONS STARTING IN 2026.

A $300

B $600

C $1,000

D $2,000

The Clergy Act

- Bipartisan legislation that would allow a temporary window for pastors to re-enter the Social Security system beginning in 2028.
    - It would require the IRS to tell Congress how it would notify clergy members of their eligibility for this opportunity.

- Many clergy choose early in their ministries to apply for an exemption from the Social Security system.
    - This is generally an irreversible selection.
    - Some pastors come to wish they hadn't made that choice.
    - Learn more about social security considerations for pastors in ECFA's eBook: *10 Essentials of Social Security for Ministers*

The Clergy Act

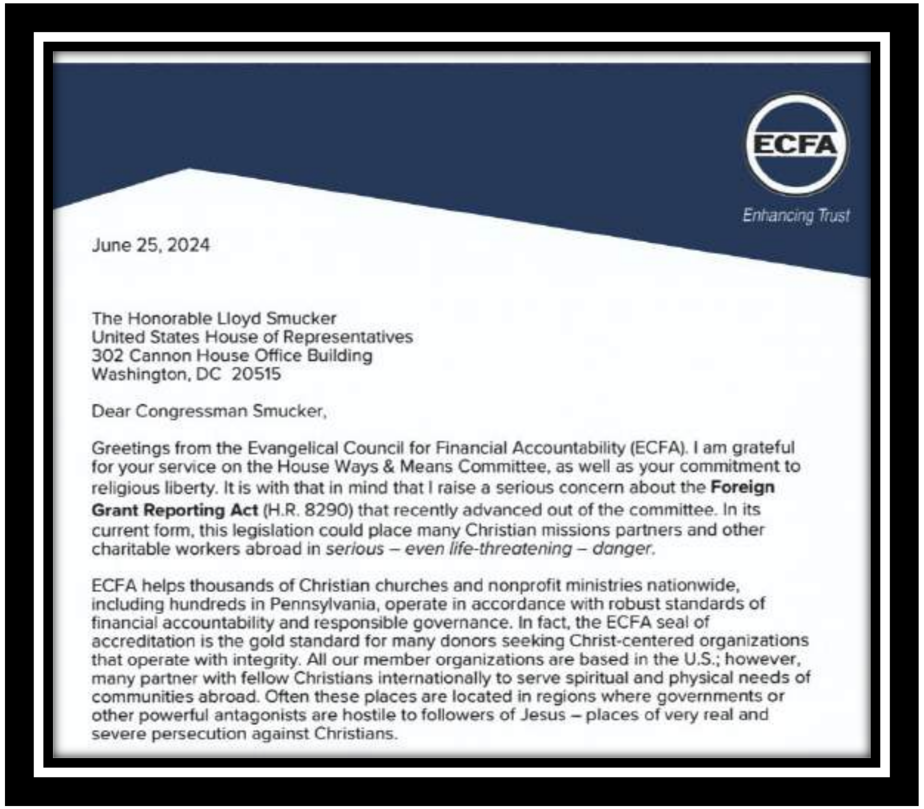
- The House Ways & Means Committee advanced the Clergy Act with a unanimous 41-0 vote in the last Congress.
- Reintroduced by Reps. Vince Fong (R-Calif.) and Mike Thompson (D-Calif.) in January.
- Reintroduced by Sens. Katie Britt (R-Ala.) and Maggie Hassan (D-N.H.) in February.

The Foreign Grant Reporting Act

- Legislation introduced and advanced by the House Ways and Means Committee last year that aimed to close a supposed "loophole."
  - Required new information about foreign grantees, including their names and addresses, aggregate amounts of funding they received, and whether they are considered charities.
  - Supporters of the bill suggested the bill was about "transparency and parity" between foreign and domestic grants.
  - They hoped to thwart illicit support for groups bent on harming American individuals and interests (e.g., Hamas).

The Foreign Grant Reporting Act

- ECFA warned that this could place many Christian missions partners and other charitable workers abroad in serious – *even life-threatening* – danger.
- Antagonistic governments and other persecutors could use new public Form 990 information to identify and harm Christian workers abroad, as well as individuals they are trying to help.
- This is not a new conversation. The current requirements of Form 990 took their existing shape in part due to concerns raised by ECFA and others on this very matter nearly two decades ago.



ECFA

Enhancing Trust

June 25, 2024

The Honorable Lloyd Smucker
United States House of Representatives
302 Cannon House Office Building
Washington, DC 20515

Dear Congressman Smucker,

Greetings from the Evangelical Council for Financial Accountability (ECFA). I am grateful for your service on the House Ways & Means Committee, as well as your commitment to religious liberty. It is with that in mind that I raise a serious concern about the **Foreign Grant Reporting Act** (H.R. 8290) that recently advanced out of the committee. In its current form, this legislation could place many Christian missions partners and other charitable workers abroad in *serious – even life-threatening – danger.*

ECFA helps thousands of Christian churches and nonprofit ministries nationwide, including hundreds in Pennsylvania, operate in accordance with robust standards of financial accountability and responsible governance. In fact, the ECFA seal of accreditation is the gold standard for many donors seeking Christ-centered organizations that operate with integrity. All our member organizations are based in the U.S.; however, many partner with fellow Christians internationally to serve spiritual and physical needs of communities abroad. Often these places are located in regions where governments or other powerful antagonists are hostile to followers of Jesus – places of very real and severe persecution against Christians.

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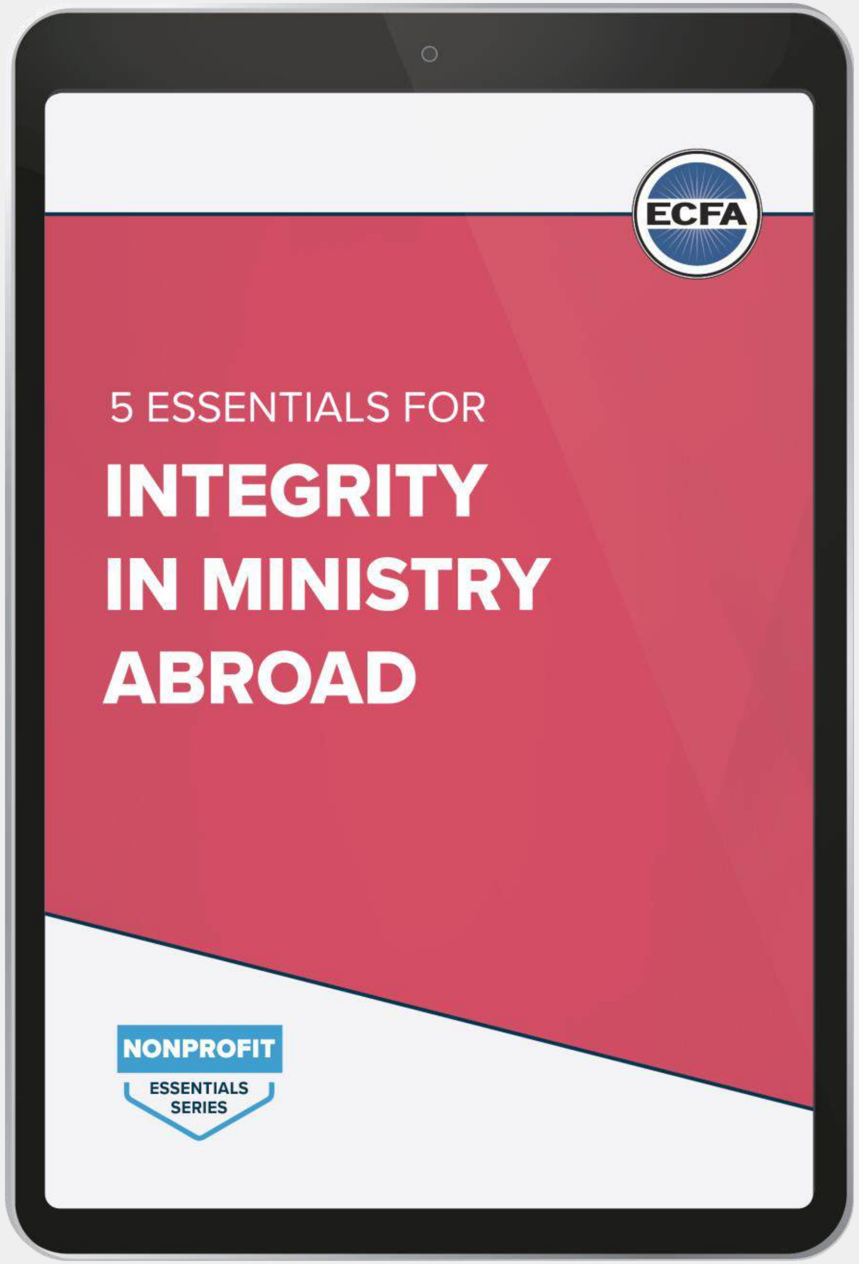
The Foreign Grant Reporting Act

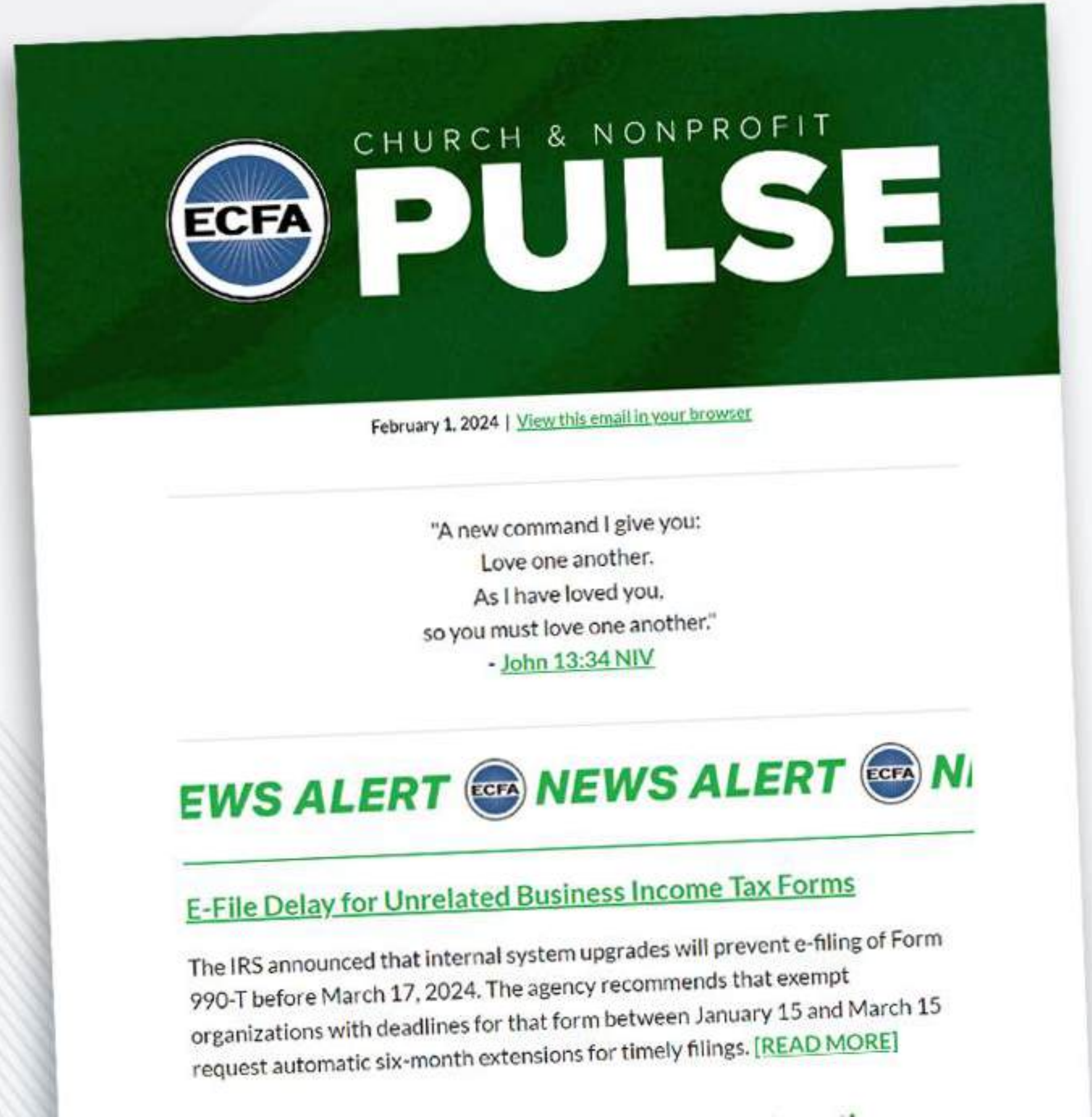
Learn more about best practices for working confidently with partners abroad with ECFA's eBook:

5 Essentials for Integrity in Ministry Abroad.



Secure Act 2.0

- A 2022 law to encourage retirement saving. A few provisions of note:
  - Allowance for employer contributions to Roth plans.
    - 2024 IRS guidance on this matter.
  - RMD age increase for tax-deferred accounts.
  - Increase in allowable catch-up contributions.
  - Permission for employers to count student loan repayments for matching retirement contributions.
  - Federal “Saver’s Match” program beginning in 2027 for savers with income less than $35,500 (or $71,000 filing jointly).
- Automatic enrollment of employees in new retirement plans started in 2025, but church plans are among those exempt from this requirement.


CHURCH & NONPROFIT
ECFA PULSE

February 1, 2024 | View this email in your browser

"A new command I give you:
Love one another.
As I have loved you,
so you must love one another."
- John 13:34 NIV

EWS ALERT ECFA NEWS ALERT ECFA N

E-File Delay for Unrelated Business Income Tax Forms

The IRS announced that internal system upgrades will prevent e-filing of Form 990-T before March 17, 2024. The agency recommends that exempt organizations with deadlines for that form between January 15 and March 15 request automatic six-month extensions for timely filings. [READ MORE]

Sign up for our Pulse newsletter to receive weekly ECFA resources and news in your inbox.

ECFA.org/Pulse

Executive Branch

White House: Debanking

Executive Order

- President Trump signed an executive order in August to combat discriminatory debanking.
- Federal regulators will now pursue preventative strategies and could potentially take action against financial institutions that have closed the accounts of organizations for political or religious reasons.
- Debanking has become a very real problem for churches and ministries.
- The list of Christian organizations unexpectedly and unceremoniously throttled from their bank accounts by financial institutions is growing.

DEBANKING

PROTECTING YOUR MINISTRY
FROM DISCRIMINATORY DEBANKING

CHURCH & MINISTRY ALLIANCE | ECFA

The ADF Church & Ministry Alliance is a membership program that provides religious liberty help to churches and ministries across the nation.

CHURCH & MINISTRY ALLIANCE

MEMBERS RECEIVE:

LEGAL SUPPORT
ADF attorneys can offer guidance on religious liberty issues, help you understand the legal significance of the language you use to describe your ministry, and draw your attention to potential legal issues which could impact your kingdom work. We want you to have peace of mind, ensuring you stand on a firm legal foundation.

RESOURCES & EDUCATION
Access educational resources focused on legal and cultural matters impacting churches and ministries, such as interactive webinars, practical legal guides, on-demand videos, and Christian worldview resources.

NEWS & INSIGHTS
Receive curated updates and insights to help you navigate complex legal and cultural issues.

COMMUNITY BUILDING
Be part of a community of like-minded church and ministry leaders who are standing up for religious freedom and shaping culture by living the truths of the Gospel.

CONSTITUENT SUPPORT
Equip your congregation and community with training, job opportunities, and resources designed to address legal challenges and help shape a biblical worldview.

BECOME A MEMBER
From comprehensive legal support to educational resources, the Church & Ministry Alliance exists to ensure you can freely pursue your mission. Scan or visit **ADFChurchAlliance.org** to join today.

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MAINTAINING TRUST SO MINISTRIES CAN TRIUMPH

No matter what triumph looks like for an organization, ECFA is an indispensable leader and partner, helping organizations maintain a healthy and trusted reputation to effectively reach the world for Christ. Hurt and hopelessness cannot win. Let ECFA come beside you. Because together, we triumph.

- As part of your ECFA membership, you will receive:
- Access and permission to display ECFA's seal of trust on your website and literature;
- Personalized support, accountability, and coaching as you practice financial integrity; the backing of ECFA's 45 years of built trust in the evangelical church and nonprofit world;
- Cutting-edge resources and news updates to keep you current on financial best practices;
- Built-in visibility through our GiverConnect platform;
- And more!

Join over 2,700 nonprofits and churches who are experiencing the benefits of EFCA accreditation.

Visit **www.ecfa.org/Join** to apply today.

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IRS: Donor Advised Funds

- DAFs allow givers an immediate tax deduction for irrevocably donated funds that may be invested, grown, and later distributed to charities.
- DAF Data*
    - More than 1.7 million DAF accounts now hold $251.52 billion in assets.
    - DAFs granted $54.77 billion to charities in 2023.
    - DAFs had a 23.9 percent payout rate in 2023 (continuing a trend of payout rates higher than 20 percent annually)

**Data from the National Philanthropic Trust's 2024 DAF Report*

IRS: Donor Advised Funds

Pending IRS rulemaking

- Aims to clarify what constitutes a DAF and what counts as a tax-exempt distribution from one.
- In general, a 3-pronged test:
  - separately identified for contributions
  - owned and controlled by a sponsoring organization
  - expected to be advised by at least one donor
- Basic restricted gifts don't automatically trigger DAF rules.
- Some Concerns Raised By Commenters:
  - Perspective on DAFs: Warehouses of Wealth or Effective Giving Tool
  - Unintentional DAFs
  - Roles of Board Members and Financial Advisors
  - Potential to Disincentivize Giving

Labor: Overtime Rule

- Employees are typically owed time-and-half pay for working hours in excess of 40 hours in a week unless they perform specifically identified duties, are paid a salary rather than an hourly wage, and have a salary that meets a certain threshold amount.
- The Biden administration moved to make the minimum salary $58,656 effective January 1, 2025–a roughly 65 percent increase from the $35,568 level established by the Trump administration in 2019. This new level would have automatically updated every three years beginning in July 2027.
- A federal court struck down the Biden rule in its entirety after finding it to be an “unlawful exercise of agency power.”
- In April, the Trump administration halted appeals to this court ruling.

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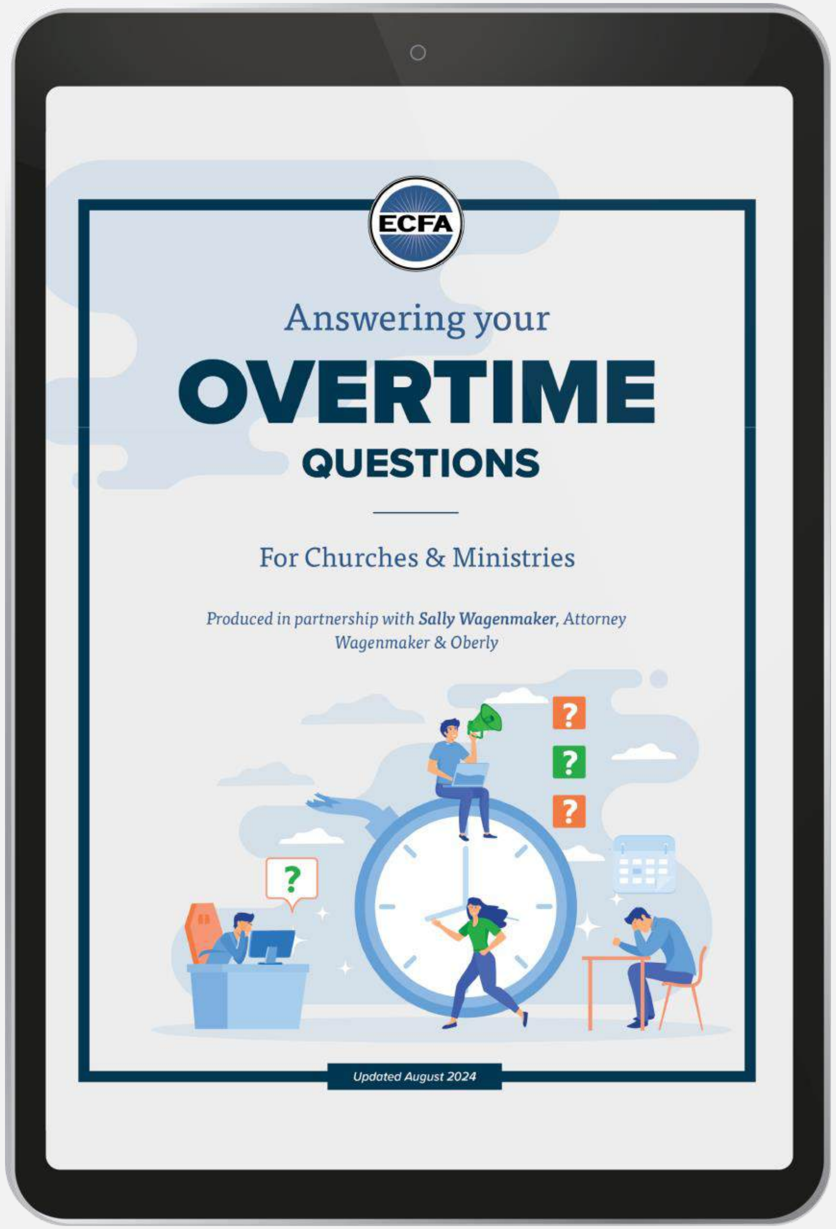
Resources Available

Download FREE
with this QR Code



The Courts

U.S. Supreme Court: 2025 Highlights

- **Catholic Charities Bureau v. Wisconsin Labor & Industry Review Commission**
  - Wisconsin had denied Catholic Charities a tax exemption because the state believed it was “not operated primarily for religious purposes.”
  - The justices unanimously said this was an offense to the First Amendment.
  - “A law that differentiates between religions along theological lines is textbook denominational discrimination,” Justice Sonia Sotomayor wrote for the court.

  - ECFA co-filed a brief explaining why inquiries by government officials into the degree of religiosity of activities or purposes violate the First Amendment.

U.S. Supreme Court: 2025 Highlights

- **Mahmoud v. Taylor** – A 6-3 majority of justices ruled that public schools burden parents' religious freedom when they compel elementary school children to participate in instruction on gender and sexuality against their parents' religious convictions and without notice or opportunity to opt out.

- **Oklahoma Statewide Charter School Board v. Drummond** – An evenly split court allowed a state court ruling to stand that excluded a privately run religious school from its charter school program.

U.S. Supreme Court: Coming Cases

- **First Choice Women's Resource Centers v. Platkin** – Donor privacy case of a faith-based pregnancy center seeking to challenge in federal court the constitutionality of an investigation by New Jersey's Attorney General.

- **Little v Hecox and West Virginia v. BPJ** – Cases related to women's sports and transgender individuals.

- **Chiles v. Salazar** – A free speech challenge to a Colorado law that censors certain conversations between counselors and their clients based on viewpoints.

- **Landor v. Louisiana Department of Corrections and Public Safety** – A case asking if an individual may sue a government official in his individual capacity for damages for violations of the Religious Land Use and Institutionalized Persons Act (RLUIPA).

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More Cases of Interest

Religious Hiring Rights

- **Billard v. Diocese of Charlotte** – The U.S. Fourth Circuit Court of Appeals upheld the rights of a religious school to employ teachers aligned with it on matters of faith.

- **World Vision v. Aubry McMahon** – The U.S. Ninth Circuit Court of Appeals upheld the rights of World Vision not to employ an applicant as a customer service representative who had disclosed that she was in a same-sex marriage.


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ECFA Defends World Vision's Religious Liberty

The Evangelical Council for Financial Accountability (ECFA) recently co-authored a brief filed in federal court defending the religious liberty of one of its charter members, World Vision. The global Christian relief and development organization is under fire for requiring its employees to be aligned with it on a matter of faith—the biblical covenant of marriage.

In 2021, World Vision offered Aubry McMahon a customer service representative post that would work with donors. However, after receiving the job offer, McMahon disclosed that she was married to a woman. Finding that this suggested noncompliance with the ministry's belief that sex is reserved for marriage between a man and a woman, World Vision rescinded the offer, and McMahon proceeded to file a sex discrimination lawsuit.

- ECFA welcomed the rulings based on the constitutional "**ministerial exception**," but argued in both that such challenges can be resolved by a straightforward reading of Title VII of the Civil Rights Act.

Question #3

IS TAX-EXEMPT STATUS A FORM OF FEDERAL FINANCIAL ASSISTANCE?

A Yes

B No

C It depends...

More Cases of Interest

Tax Exempt Status & Federal Financial Assistance

- **Buettner-Hartsoe v. Baltimore Lutheran High School Association** – The U.S. Fourth Circuit Court of Appeals ruled last year that tax exemption does not equate to federal financial assistance.
    - The appellate judges explained that tax-exempt status “is the withholding of a tax burden, rather than the affirmative grant of funds.”
    - Federal district-level courts in California and Maryland ruled the opposite in 2022, so ECFA supports the Safeguarding Charity Act to make this matter clear in statute.

More Cases of Interest

Tax Exempt Status & Political Speech

- **NRB v. IRS** – National Religious Broadcasters (NRB) joined two Texas churches and Intercessors for America to challenge the Johnson Amendment, which prohibits 501(c)(3) organizations from engaging in partisan political campaign activity. Opponents believe the threat of punishment under the Johnson Amendment chills free speech.

  - In July, the IRS and the plaintiffs jointly suggested that houses of worship do not violate this prohibition when discussing electoral politics through their usual religious service communications channels, which they likened to "a family discussion concerning candidates."

  - The federal district court has not ruled on this joint motion, and the effect of the IRS filing in this case is not yet clear for nonprofits more broadly.

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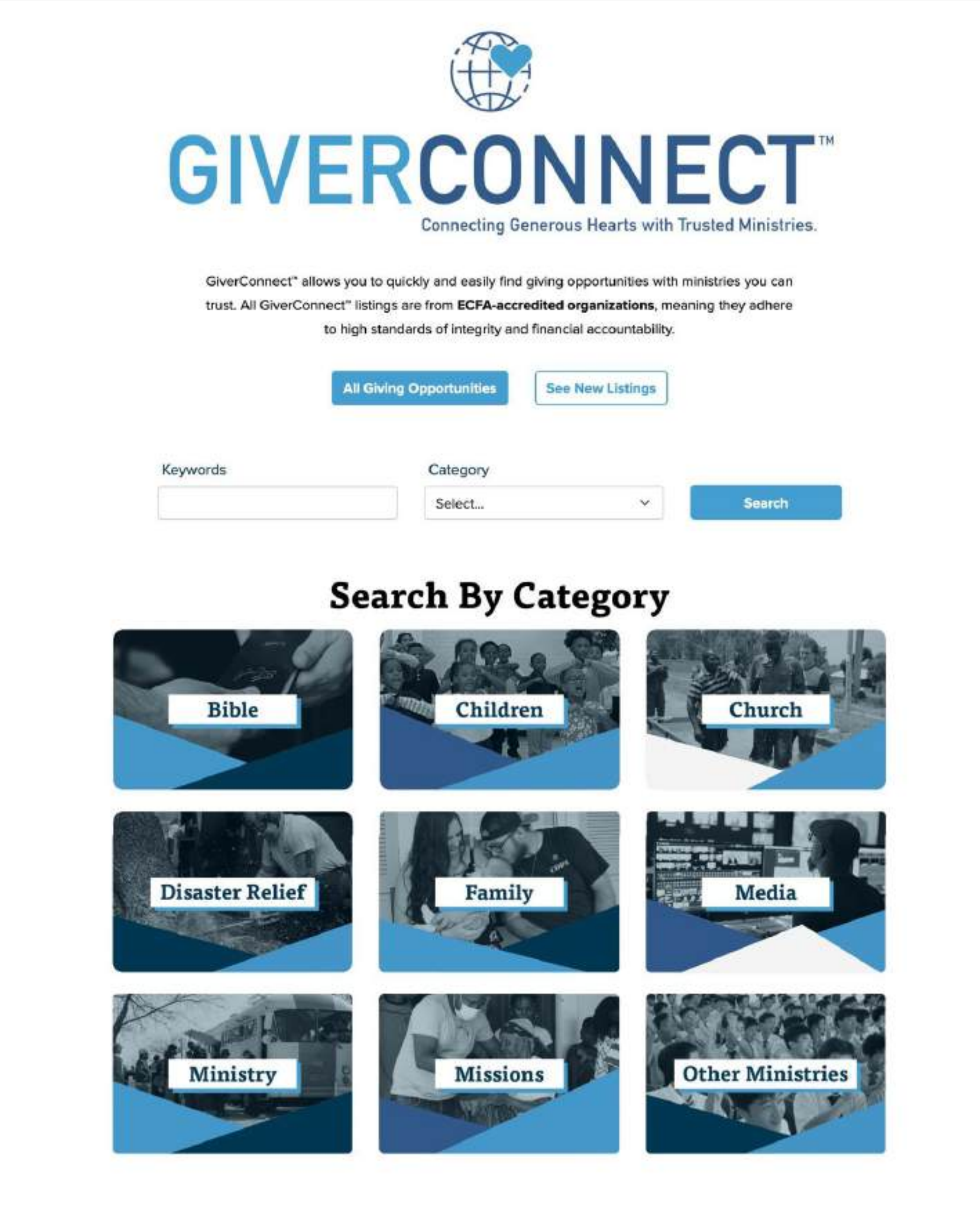
Resources

ECFA.ORG/GIVERCONNECT



Leadership is hard—especially in ministry.

But it doesn't have to be that way. ECFA's Excellence in Leader Care Standard is a game-changer.

Learn more at **ECFA.org/LeaderCare.**

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Resources to Get Started with Leader Care

7 Questions a Board Can Ask the Senior Leader

How to Identify Burnout in a Leader

How to Pray for Your Leader

Adopt a Board Policy

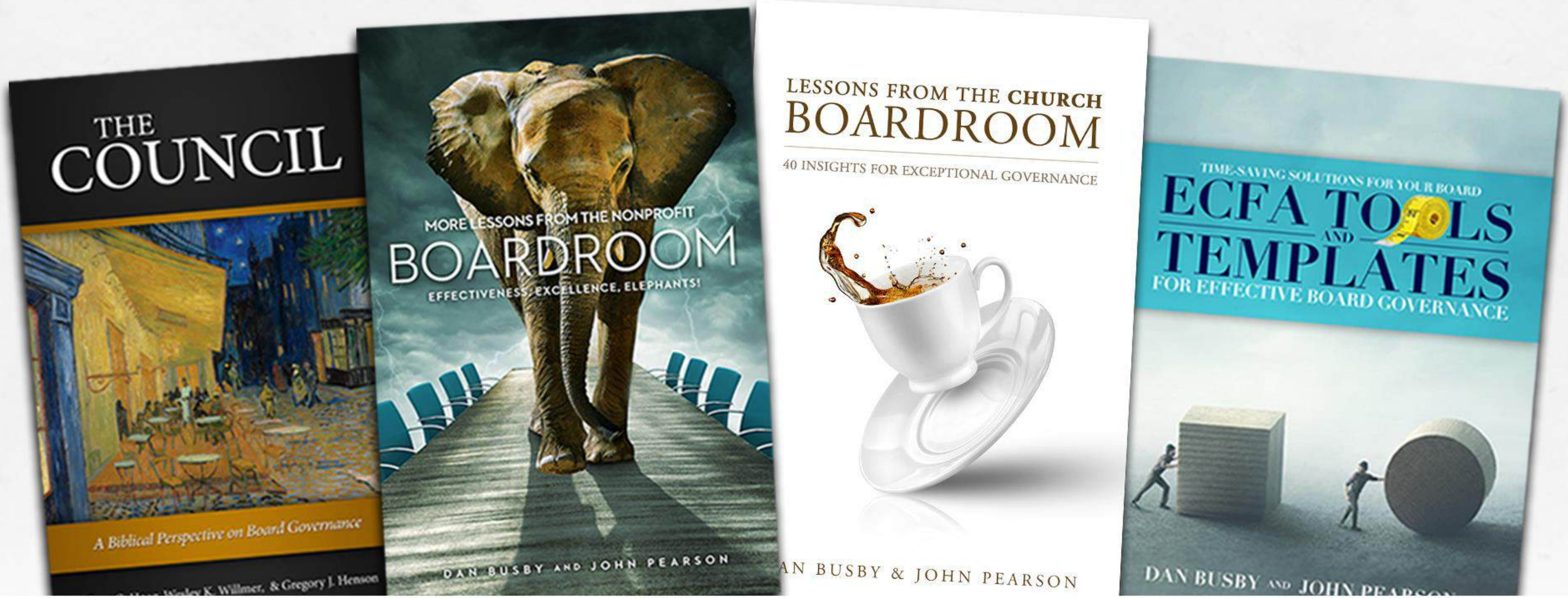
ECFA.ORG/LEADERCARE

Behind the Seal Podcast – Season 3

Leadership is more than a position—it's a calling that requires wisdom, resilience, and deep relationships. This season, we're tackling the biggest challenges leaders face, from burnout and trust to boundaries and soul care.

Join us as we hear from top voices in leadership who are redefining what it means to lead with integrity and purpose.

ECFA.ORG/PODCAST



More ECFA Resources!


Where there's trust, there's triumph.
Let us help you maintain a trusted reputation so you can focus on reaching the world for Christ.
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Recent Developments from Capitol Hill, the Courts, and Beyond

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