



COMMUNITY IMPACT COALITION

May 12, 2025

The Honorable Jason Smith
Chairman
House Committee on Ways and Means
1101 Longworth House Office Building
15 Independence Avenue SE
Washington, DC 20515-2508

The Honorable Richard Neal
Ranking Member
House Committee on Ways and Means
372 Cannon House Office Building
25 Independence Avenue SE
Washington, DC 20515-2101

The Community Impact Coalition is committed to ensuring lawmakers understand the value of 501(c) organizations and advocating against proposals that would eliminate their tax-exempt status. The Community Impact Coalition is currently supported by a group of over 100 nationwide nonprofit groups to safeguard the ability of tax-exempt organizations to continue fulfilling their essential missions.

The charities, associations, and professional societies comprising the coalition are granted tax-exempt status by the IRS to encourage and support activities that benefit the public good and promote societal well-being. Their tax-exempt status strengthens lives by providing services and responding in countless ways where the government or for-profit businesses cannot fill vital gaps and address urgent community needs.

According to an April 2025 Cygnal poll, 82 percent of voters find tax-exempt status important for nonprofits to effectively serve their communities.

The Ways and Means Committee has been steadfast as it drafts legislation that addresses the tax hike that everyday Americans will face at the end of the year unless Congress acts. We applaud the committee's effort and the around-the-clock work that went into the bill that was released on May 12th.

In practice, however, if the provisions included in the House Ways and Means Committee's legislation are enacted and additional taxes are levied on the nonprofit sector, our coalition members and other nonprofits would be forced to cut services that communities vitally need. These provisions would have significant consequences by diverting nonprofits' resources away from their mission and toward expanding the federal government.

The draft legislation broadens the Unrelated Business Taxable Income (UBI) to include certain fringe benefits related to parking and transportation. The proposal also requires that any sale or licensing of any name or logo of an organization shall be treated as UBI.

While the goal of the parking and transportation provision may be to create parity among nonprofit organizations and for-profit businesses, there is a fundamental difference between denying a deduction for business income that will otherwise go to for-profit shareholders and levying a tax on charities and associations providing essential services and programs to communities. Every dollar diverted to the federal government is one less dollar to communities and constituents in need.

Additionally, many nonprofit organizations operate with limited revenue sources to provide services with higher demand than supply. In particular, royalties are a source of non-dues revenue that can be reinvested in education, skills training, standard setting, and other tax-exempt activities. Royalty agreements help associations and charities expand public awareness about their organization and support the industry or charitable cause they represent.

The same Cygnal poll found 55 percent of voters believe the government should be responsible for providing services that nonprofits would no longer be able to provide if taxed.

If nonprofit resources are taxed, many critical service providers — like veterans and disaster relief organizations, food banks, and educational programs — could be forced to raise fees or cut services.

Additionally, it would weaken effective efforts to modernize and streamline workforce training programs and credentialing, set industry safety standards, and support economic stability. That means higher costs for workers, families, and businesses.

This challenge goes beyond associations—it strikes at the core of the industries, professions, and communities we serve. Nonprofits uniquely leverage their expertise to solve complex challenges that would otherwise fall to the government, reinvesting revenues directly into their missions to drive lasting impact across society.

The Community Impact Coalition is committed to ensuring federal tax policy recognizes the tax-exempt sector's value through proposals that support its ability to carry out its important and mission-driven work—and strongly encourages reconsideration of policies that tap the sector's resources for federal tax revenues.

We look forward to working with Congress to ensure tax policy continues to support an effective, efficient, and independent civil society.

Sincerely,

Steve Caldeira

Co-Chair, Community Impact Coalition
President and CEO
Household & Commercial Products Association

Marc Cadin

Co-Chair, Community Impact Coalition
CEO
FINSECA