

Nonprofit Tax, Accounting, and Reporting Update

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Nonprofit Tax Update



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Agenda: Nonprofit Tax Update

- Current Events
- Future of Tax Cut and Jobs Act (TCJA) Provisions
- Foreign Grant Reporting
- Recent Court Cases
- Clean Energy Credits
- Beneficial Ownership Reporting
- Clergy Act
- Employee Retention Credit Updates
- 2025 Key Tax Figures

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Polling Question 1

Do you want CPE credit?

- Yes
- No

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Current Events

- BUCKLE UP!
- Presidential action on foreign aid
- Federal and state-level funding consequences
- Withdrawal of IRS and Treasury speakers from conferences

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Future of TCJA Provisions

- Provisions affecting charitable giving expected to sunset at the end of 2025:
 - Increased standard deduction
 - Cap on home mortgage deduction
 - Cap on state and local tax deduction
 - 60% AGI limit for individuals for cash contributions to public charities
 - Doubling of lifetime estate and gift tax exemption

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Future of TCJA Provisions (continued)

- Other items of interest:
 - Corporate tax flat rate of 21% will not expire
 - 20% qualified business income (section 199A) set to expire at end of 2025
 - Bonus depreciation 60% for 2024 and set to drop to 40% in 2025
 - Future of clean energy credits is TBD

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Foreign Grant Reporting

- House Ways & Means Committee proposed legislation:
 - H.R. 8290, “Foreign Grant Reporting Act,” passed by a vote of 38-0
 - H.R. 8293, “American Donor Privacy and Foreign Funding Transparency Act,” passed by a vote of 23-16
- House of Representatives passed legislation:
 - H.R. 9495, “Stop Terror-Financing and Tax Penalties on American Hostages Act,” passed by a vote of 219-184

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Foreign Grant Reporting Best Practices

- Review [U.S. Department of the Treasury Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities](#)
- Review Office of Foreign Assets Control (OFAC) economic and trade sanctions
- Establish predetermined selection criteria
- Document grantee’s eligibility for grants or assistance, including basic research on organization, section 501(c)(3) equivalency determination, and documentation of how grantee’s activities are consistent with the organization’s section 501(c)(3) purpose

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Foreign Grant Reporting Best Practices (continued)

- Substantiate the amount of grants and assistance in the organization's records
- Require periodic reporting and accounting as to how funds were used

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Polling Question 2

Form 990 Schedule F requires the foreign grantee's name and address to be reported for each grant over \$5,000.

- True
- False

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Recent Court Cases

- *Loper Bright Enterprises v. Raimondo*
 - Overturning of *Chevron*
- *Catholic Charities v. Wisconsin*
 - Religious freedom implications
- *Mira Vista Homeowner's Ass'n v. Comm'r of Internal Revenue*
 - Denied recognition of exempt status

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Clean Energy Credits

- Final regulations related to domestic content
- Claims and timeline
- Potential political ramifications

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Beneficial Ownership Reporting

- Congress enacted the Corporate Transparency Act (CTA) in 2021 to combat money laundering, tax fraud, and terrorism financing
- Starting January 1, 2024, entities that meet specific criteria are required to file the beneficial ownership information (BOI) report to FinCEN
- Importantly, **all nonprofit entities are exempt from this requirement**

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Beneficial Ownership Reporting (continued)

- Must meet **one** of the following criteria:
 - Be described in section 501(c)
 - Be described in section 501(c), was exempt under section 501(a) of the Code, and lost tax exempt status less than 180 days ago
 - Be an exempt political organization (527(e))
 - Be a trust under paragraph (1) or (2) of section 4947(a)

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Beneficial Ownership Reporting (continued)

Breaking News!

- On December 3, 2024, the U.S. District Court for the Eastern District of Texas entered a preliminary injunction against enforcement of the BOI reporting requirements altogether
- The January 1, 2025, deadline has been stayed
- The injunction could be lifted on appeal, but the overall exemption for nonprofits would still remain in place

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Polling Question 3

Tax-exempt organizations are generally exempt from following the Beneficial Ownership Information (BOI) reporting requirements.

- True
- False

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SECA Tax Exemption and The Clergy Act

- Ministers can opt out of paying SECA tax. However, they don't get credit for work quarters if they do that. This can have retirement implications.
- Can a minister opt back into the SECA system?
 - Not right now. However, the [Clergy Act](#) has passed the House Ways and Means Committee.
 - It passed 41-0 in November 2023; has been picked back up in the most recent Congress
 - The bill would provide a window (through April 15, 2030) during which pastors could revoke their exemption

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Employee Retention Credit Updates

- Claims are taking very long to fulfill (1 – 3 years)
- Disallowance letters are becoming more common
- IRS is using crude measurements when deciding whether to amend or disallow an ERC claim

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Employee Retention Credit Updates (continued)

- Final deadline to claim the ERC is April 15, 2025 (only 2021 quarters available)
- Voluntary Disclosure Program available for third-party payers until December 31, 2024, using the [consolidated claim process](#)
- The [ERC Withdrawal Program](#) remains open to organizations

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Key Federal Tax Figures in 2025 and Returns for 2025

Standard Deduction	
Joint returns and surviving spouses	\$30,000
Heads of households	\$22,500
Single	\$15,000
Married filing separately	\$15,000
OASDI maximum wage base	\$176,100
Maximum elective deferral amount to HSA spending account	\$3,300
Maximum annual contribution to defined contribution plan	\$70,000
Maximum salary deduction for 401(k)/403(b)	\$23,500
401(k)/403(b) over 50 “catch-up” limit	\$11,250

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Nonprofit Accounting and Reporting Update



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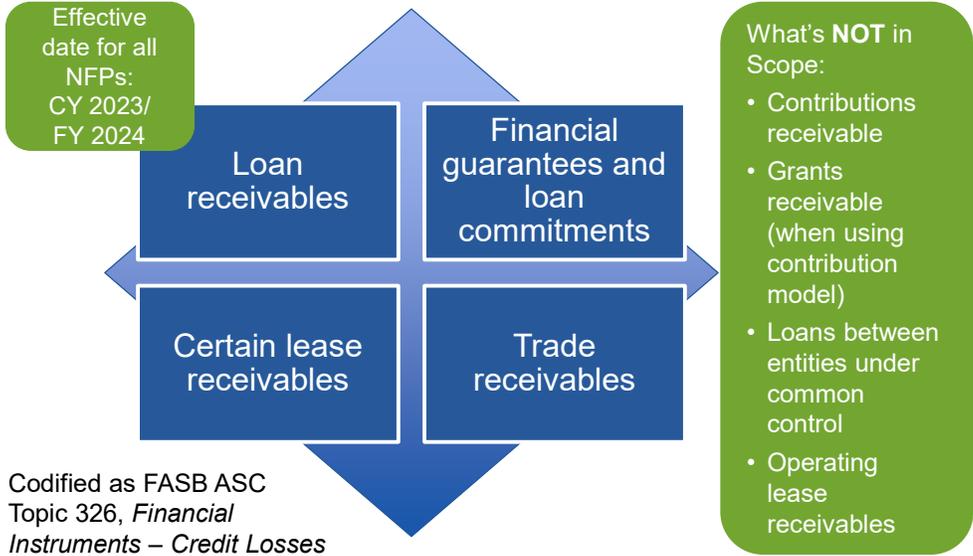
Agenda: Nonprofit Accounting and Reporting Update

- Update on Current Expected Credit Loss (CECL) Accounting Standard Update (ASU)
- Accounting for Crypto Assets ASU
- Accounting for and Disclosure of Software Costs Project

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Current Expected Credit Losses (CECL)

Effective Date and Scope



CECL

What's Changed?

Prior Incurred Loss Model	New Expected Loss Model (CECL)
Losses recorded when probable of being incurred	No threshold for recognition – all expected credit losses are recorded on Day 1, leading to more timely identification and recognition of future losses
If no indicators of loss, no reserve required	Allowance for credit losses is required even if the risk is remote
Based primarily on historical experience	Based on reasonable and supportable forecasts about total future credit losses, factoring in both historic and current data as well as forecasts of the future
Typically applied to past-due amounts for trade receivables	Must be applied to all balances, including those that are still current

CECL

Reasonable and Supportable Forecasts

- Reasonable and Supportable Forecasts
 - Does not mean an entity is required to consider all sources of available information
 - Consider relevant information that is reasonably available and can be obtained without undue cost and effort
 - Can be internal or external information, or a combination

- Inflation considerations
- Recession considerations
- Unemployment rates



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CECL Update

- Proposed ASU issued in December 2024 with comment period through January 17, 2025
- For private companies and certain NFPs, proposing a practical expedient to assume that current conditions as of the statement of financial position (SFP) date persist throughout the forecast period
- If the practical expedient is elected, the NFP would be eligible to consider collection activity after the SFP date when estimating expected credit losses
- The FASB is redeliberating after the comment period

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ASU 2023-08 Intangibles – Goodwill and Other – Crypto Assets

- Requires all entities to measure **certain** crypto assets they hold at fair value and to reflect changes from the remeasurement of those assets in change in net assets each reporting period



- Replaces the former accounting model of recording at current cost less impairment
- Effective for fiscal years beginning after December 15, 2024, with early adoption permitted

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ASU 2023-08 Intangibles – Goodwill and Other – Crypto Assets (continued)

Applies to crypto assets that meet all of these criteria:

- Meet the definition of an intangible asset
- Do not provide the asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets
- Are created or reside in a distributed ledger based on blockchain or similar technology
- Are secured through cryptography
- Are fungible
- Are not created or issued by the reporting entity or its related parties

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ASU 2023-08 Intangibles – Goodwill and Other – Crypto Assets (continued)

- Requires that crypto assets measured at fair value be shown separately from other intangible assets on the statement of financial position and the changes from remeasurement separately from changes of other intangibles on the statement of activities
- When the entity converts crypto assets nearly immediately into cash, it is required to classify those cash receipts as cash flows from operating activities
- Required disclosures on the types of crypto assets held and changes in those holdings



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Accounting for and Disclosure of Software Costs – Project Scope and Objective

Software Costs

- **Costs incurred to develop or purchase software that is solely for entity's internal use**
- **Costs incurred to develop a hosting arrangement platform**
- **Costs incurred by a customer to implement a cloud computing arrangement**

Subtopic 350-40

- Costs incurred to develop software to be sold or licensed to customers
- Costs incurred to develop software used in a hosting arrangement in which the customer can take possession

Subtopic 985-20

Objectives:

- To modernize the accounting for software costs
- To enhance the transparency about an entity's software costs

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Software Costs

- A proposed ASU was issued in October 2024, with a comment period through January 27, 2025
- The proposed ASU provides that an entity would be required to start capitalizing software costs when both of the following have occurred:
 1. Management has authorized and committed to funding the software project
 2. It is probable that the project will be completed and the software will be used to perform the function intended
- The FASB will be redeliberating after comments have been received

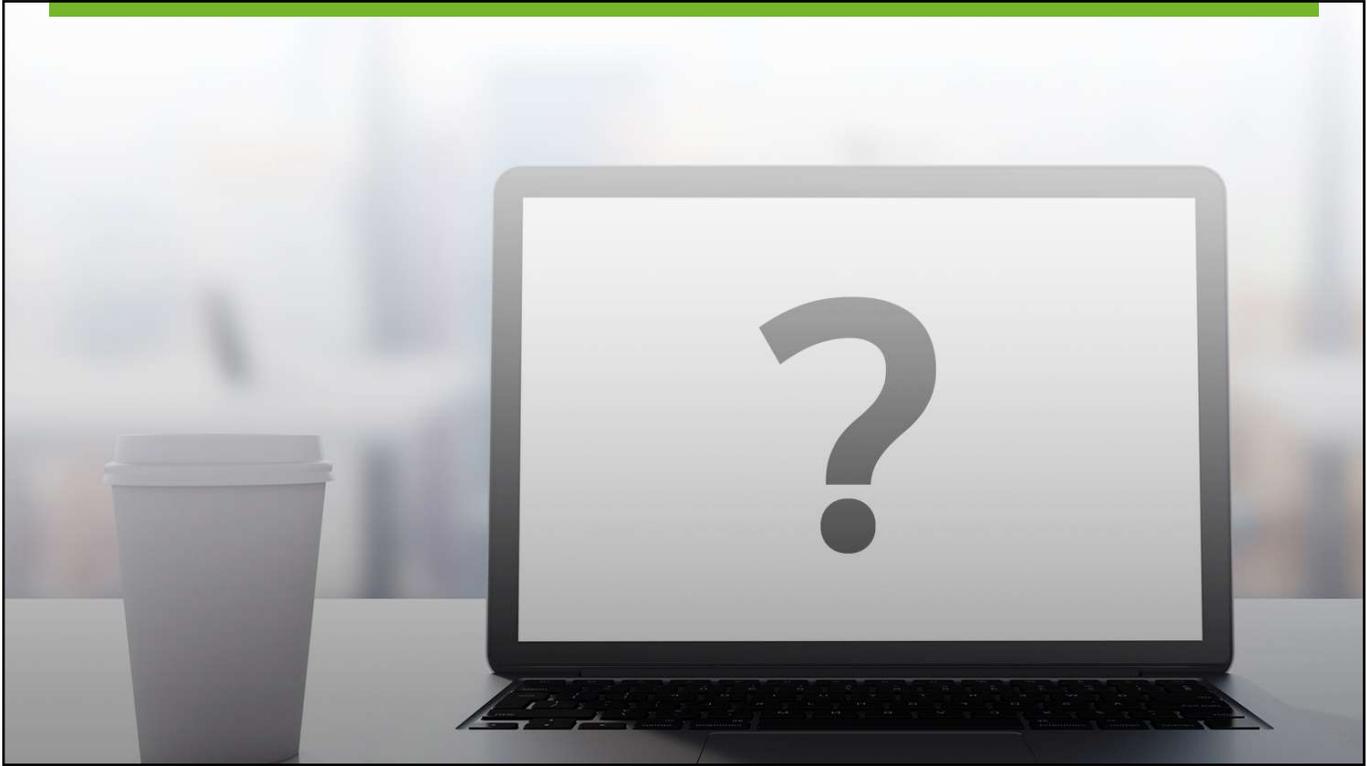
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Polling Question 4

Has your organization claimed the Employee Retention Credit?

- Yes
- No

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