



COMMUNITY IMPACT COALITION FAQs

GENERAL QUESTIONS

Q: What is the purpose of the Community Impact Coalition?

A: The Coalition was established to protect the tax-exempt status of nonprofits and educate lawmakers on their vital contributions to society. It aims to highlight the potential negative consequences of taxing nonprofits and ensure they can continue to serve communities effectively.

Q: Why is tax-exempt status important for nonprofits?

A: Tax-exempt status allows nonprofits to reinvest their revenue into their mission rather than paying taxes like for-profit businesses. This enables them to provide essential services such as disaster relief, veteran support, medical research, and educational programs.

Q: Who is part of the Community Impact Coalition?

A: The Coalition is composed of nearly 70 associations and charities representing a diverse range of sectors, including veterans' groups, disaster relief organizations, trade associations, and faith-based organizations.

Q: What are the potential threats to nonprofit tax-exempt status?

A: Lawmakers are considering using nonprofits as a revenue source by subjecting them to taxes, such as a 21% corporate tax rate on certain revenues. These measures would significantly hinder nonprofits' ability to fulfill their missions.

Q: What is the Coalition's primary goal in 2025?

A: The Coalition aims to educate the 119th Congress on the societal and economic value of tax-exempt organizations and advocate against proposals that would diminish or eliminate their tax-exempt status.

Q: What common misconceptions about nonprofits does the Coalition aim to address?

A: Many people misunderstand the purpose of tax-exempt status, assuming nonprofits operate like for-profit businesses without the tax liability. The Coalition seeks to clarify that nonprofits exist to serve the public good and reinvest all revenue into their missions, making them fundamentally different from profit-driven enterprises. No individual or private shareholders may receive the excess revenue from a nonprofit.

TAX-EXEMPT STATUS

Q: What does tax-exempt status mean?

A: Tax-exempt status is a designation under the tax code for organizations that meet specific criteria, including financial transparency and serving the public good. These organizations reinvest all revenue into their mission rather than generating profits for individuals or shareholders.

Q: Why was tax-exempt status established?

A: Congress enacted tax-exempt status in 1913 to encourage activities that benefit the public good. In 1917, the charitable deduction was introduced to incentivize donations and ensure nonprofits could continue their vital work.

Q: What are the common types of tax-exempt organizations?

A: Examples include:

- 501(c)(3): Charitable, religious, and educational organizations.
- 501(c)(4): Civic leagues and social welfare organizations.
- 501(c)(6): Business leagues and trade associations.
- 501(c)(19): Veterans' organizations.

Q: How do nonprofits differ from for-profit businesses?

A: Nonprofits reinvest all revenue into their missions, while for-profits prioritize shareholder profit. Nonprofits exist to serve public needs, often stepping in where businesses and government fall short.

Q: How are nonprofits held accountable for their operations?

A: Nonprofits must meet strict transparency and accountability standards, including:

- Public disclosure of financial statements.
- Regular audits.
- Adherence to regulations ensuring funds are used for their stated mission.

Q: Why can't nonprofits rely on government funding instead of tax-exempt status?

A: Tax-exempt status ensures nonprofits have autonomy and stability to address diverse community needs. Government funding is often limited and comes with restrictions, whereas tax-exempt status allows nonprofits to innovate and respond quickly to emerging challenges.

POLICY AND LEGISLATIVE CONCERNS

Q: Why are lawmakers considering taxing nonprofits?

A: Some lawmakers view nonprofits as potential revenue sources during tax reform discussions. Proposals have included eliminating the charitable deduction for certain health associations and charities, taxing net non-donation revenue, and applying corporate tax rates to nonprofit income.

Q: What would happen if nonprofits lost tax-exempt status?

A: Losing tax-exempt status would force nonprofits to:

- Cut programs.
- Turn people away from critical services.
- Lead to less workforce development.
- Reduce standards and certifications for professions.
- Shut down entirely, leaving gaps in support for communities.

Q: How does taxing nonprofits affect society?

A: Taxing nonprofits reduces access to essential services, increases strain on government resources, and undermines charitable giving. It could have a ripple effect, harming both individuals and communities.