



## NONPROFIT FUNDING & SECTOR STABILITY

### The Issues

**Revenue Volatility from Tax Policy.** The 2025 federal tax law reshaped charitable giving incentives. While it created a universal charitable deduction for all taxpayers, it also reduced the value of itemized deductions for higher-income donors, imposed a floor on itemized deductions, and added new limits on corporate giving. These changes may reduce large gifts and corporate donations, even as they modestly encourage small-donor giving. Endowment and compensation excise taxes, dollars that would otherwise have outsized impacts on nonprofits relative to what they contribute to government budgets, further strain major institutions that traditionally support local nonprofits.

**Contracting and Cash-Flow Risk.** Nonprofits providing state or county services face delayed reimbursements and inconsistent cost recovery. Pennsylvania's Prompt Payment statute requires payment within 45 days (or contract terms) and allows interest on late payments, but enforcement is uneven. State and local contracts also frequently ignore federally required indirect cost reimbursement, forcing nonprofits to absorb overhead.

**Compliance and Administrative Burden.** Pennsylvania nonprofits must register under the Solicitation of Funds for Charitable Purposes Act, file annual reports, and in many cases submit audited or reviewed financial statements. Recent Act 122 updates require annual reports for all registered entities. These compliance obligations provide transparency but disproportionately burden smaller organizations with limited administrative capacity.

### The Impacts

**Reduced Financial Stability.** Fluctuations in giving—driven by federal tax policy and narrow state incentives—undermine long-term planning. Reliance on restricted or delayed government reimbursements further compresses operating margins, causing organizations to delay hiring, hold vacancies, or scale back programs.

**Unequal Support Across Sectors.** Because state tax credits largely benefit education nonprofits, other subsectors—such as human services, behavioral health, housing, arts, and community development—remain underfunded and more reliant on unstable revenue streams.

**Strain on Small and Mid-Sized Nonprofits.** Compliance requirements and uneven contract enforcement create fixed costs that consume a larger share of budgets for smaller



organizations. This leads to reduced capacity for mission delivery and higher administrative overhead.

**Community and Economic Risk.** York County and peer counties rely heavily on nonprofits as employers and service providers. Revenue volatility and underfunding ripple outward, threatening service availability, workforce stability, and the broader regional economy.

### **Next Steps**

YCNC is working to create recommendations that address the issues and impacts noted above for the Nonprofit Funding and Sector Stability priorities, that both move the needle to remedy situations and provide sustainable paths forward for the items mentioned.