



2026 ANNUAL CONFERENCE OAKLAND, JANUARY 11 - 13

AUXILIARY ORGANIZATIONS ASSOCIATION

**THE NEXT ERA OF AUXILIARIES
SHAPING TOMORROW**

Changes to Tax law and their impact on CSU Auxiliaries



Presented by:

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What was on the table?



Higher Education

- **Raise endowment tax from 1.4% to 14%:** Current tax levied at private nonprofit colleges/universities with 500 students and endowments \$500,000 per student (perhaps 20% for those raising tuition more than inflation)
- **Expand endowment tax:** Expands the criteria for which students count, aimed at making institutions:
 - Enroll more American students (exclude foreign students from calculation)
 - Spend more of endowment on student support

What was on the table?



Employers

- Elimination of tax-free employer transit benefits
- Inclusion of private on-site gyms at company facilities as taxable income to employees
- Subject employees to tax on employer-provided meals & lodging, other than military

Business Tax Credits

- **Repeal IRA energy credits:** This could target refundable credits enjoyed by tax-exempts, but likely to affect only projects beginning after some prospective date (Green Energy and EV)
- End the **employee retention credit** for claims submitted after January 31 and stricter penalties for fraud

What was on the table?



Other Considerations

- Entirely eliminate the estate tax
- Elimination of the dependent care credit for individuals
- Elimination of exclusion of scholarship or fellowship as income for individuals as well as tuition credits
- Elimination of Student loan interest deduction for individuals
- Elimination of federal estate taxes
- Lower corporate income tax rate to 20% (or 15%)
- Repeal of Energy Credits from IRA
- Repeal of the Johnson Amendment (provision in tax code prohibiting 501(c)(3) organizations from endorsing or opposing political candidates)
- Eliminate remaining IRS funding from IRA
- Reinstate the “parking tax”
- Treat royalties from name/logo use as UBI

One Big Beautiful Act (OBBA)



Charitable Giving Changes

- New \$1,000/\$2,000 deduction for non-itemizers
- 0.5% AGI floor for itemizers
- 1% floor for corporate charitable deductions

Excise Tax Changes

- Expanded definition of excise tax on compensation over \$1M to any current employee or former employee who earned more than \$1M in compensation from the organization during any tax year beginning after December 31, 2016
- Tiered excise tax on college and university net investment income (top rate of 8% when over \$2M of endowment assets per a student)
 - Excluded schools who have under 3,000 tuition-paying students from the tax

One Big Beautiful Act (OBBA)



New Tax Credit

- Up to \$1,700 credit for donation to certain scholarship-granting organizations (K-12 education)
- State must opt in to the credit and identify scholarship granting organizations

Section 179D Changes

- Eliminated energy efficient commercial construction deduction for public and private colleges and universities for any property constructed after July 4, 2026

OBBA Employment Tax Changes



1099 –MISC and 1099 NEC Reporting

- Threshold increased from \$600 to \$2,000
- Effective date: January 1, 2026
- Annual Inflation adjustments begin in 2027

W-2 Reporting Changes

- Qualified Tips – must be reported separately on Form W-2 (IRS to publish list of eligible occupations)
- Qualified Overtime Pay – includes the pay beyond 40 hours a week under the Fair Labor Standards Act; must be reported on the Form W-2 (IRS form updates pending)
- Applies to tax years beginning after December 31, 2024 and ending before January 1, 2029

OBBA – Clean Energy Credits



As a result of the OBBA certain credits have been or will be quickly phased out (EVs and charging station) and wind and solar must begin construction by 7/4/2026 or be placed in service by 12/31/2027. Credits for other technologies remain in place through 2032 and still eligible for direct pay. Exempts should still consider the ability to utilize these credits as they plan physical plant investments.

OBBA - Clean Energy Credits



The IRA includes clean energy tax credits for activities such as solar, wind farms, geothermal, EV, etc. These tax credits can be utilized by exempt organizations and certain governmental entities and are available as direct pay on Form 990-T. Credits may include requirements such as locations, uses of materials, wages and apprenticeship requirements.

The IRA also made some advantageous changes around IRC 179D. IRC 179D is a tax deduction offered for energy efficient commercial construction. Because tax-exempt and government entities are generally not able to use the deduction directly, the IRA allows for the allocation of the deduction to the designer of the building. This allows for negotiation around the sale of the deduction.

Executive and IRS Update and Tariffs



The Executive Branch continues to be focused on actions related to exempt organizations including foreign students, Diversity, Equity and Inclusion activities and foreign funding.

IRS, including the Exempt Organization group, saw significant staffing reduction as a result of the actions under DOGE

IRS has seen significant turnover in senior leadership with 7 different commissioners or acting commissioners since January 2025

Executive and IRS Update and Tariffs



Tariffs continue to be a focus for the executive branch and will likely impact the good and services.

Organizations will be need to review projections and assumption in budgeting and grant applications and the overall impact on financial performance

State Tax Considerations



States continue to vary in their requirements around unrelated business income (UBI) filings.

- UBI filings outside of states of operation may arise due to investments.
- Continue to review for state filings changes including mandatory electronic filing and changes to NOL and expense allocation rules.

International Tax



Reporting is continuing to grow in complexity and form requirements are changing annually.

- Steep penalties for non-filing which in some cases are automatic and cannot be waived.
- Continue to review US reporting requirements for foreign activities including corporations, partnerships and disregarded entities.

IRS Exempt Org 2025/26 Priority Guidance Plan



New Projects

- Guidance under sections 224 and 225 regarding qualified tips and qualified overtime, including transition relief.
- Regulations under the section 4968 endowment tax.
- Guidance under the section 4960 excise tax on excess compensation, including the expanded definition of "covered employee" under the OBBBA.
- Regulations under section 6041 regarding the increase in the Form 1099 reporting threshold from \$600 to \$2000 under the OBBBA.
- Regulations on treating back pay awards as compensation for retirement plan purposes, including section 415. This could impact legal settlements.

IRS Exempt Org 2025/26 Priority Guidance Plan



New Projects

- Regulations under section 4945 regarding expenditure responsibility. This could impact colleges and universities that sponsor donor advised funds.
- Guidance on charitable contribution deductions by trusts under section 6034.
- Regulations under section 6104 regarding the place for public inspection of Forms 990 and 990-T.
- Guidance on racial discrimination for 501(c)(3) schools. This further confirms that changes to Rev. Proc. 75-50 are on the horizon, following Students for Fair Admissions.
- Guidance on the section 501(c)(3) electioneering prohibition.

IRS Exempt Org 2025/26 Priority Guidance Plan



Updated or Carryover Projects

- Final regulations under section 4966 regarding donor advised funds.
- Guidance on "beginning of construction" for the section 48E IRA energy credit. Notice 2025-42.
- Guidance on student loan payments and qualified retirement plans. Notice 2024-63.
- Regulations under section 119 regarding employer-provided meals. (does not include section 132 as it did in p/y).
- Guidance on the tax treatment of transactions involving digital assets.

Action Plan



01

Schedule a compliance review for Form 990, 990T and related filings.

02

Update donor communication plans to reflect upcoming deduction changes.

03

Assess governance policies for risk areas like foreign contributions and executive compensation.

04

Engage with industry forums (AICPA, NAC) for ongoing updates and best practices.

Contact information



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THANK YOU!

