



# The Case for Partnership: Building a Healthy Charitable Sector to Ensure a Thriving Nation

Prepared and presented by [Independent Sector](#)  
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*The charitable nonprofit sector is an essential partner to government in meeting the needs and lifting the hopes of all communities. Our sector is also critical in ensuring a robust and pluralistic civil society — long an essential ingredient to the American experiment. Importantly, the American public trusts the charitable sector above all others to repair divides that often separate us. To fully leverage this partnership between the charitable sector and the federal government, it is vital that the Trump Administration move quickly to ensure nonprofits have a “seat at the table” in a new White House.*

## About the Nonprofit Sector:

The charitable nonprofit sector — including charities, foundations, and corporate giving programs — is the third largest employer of the U.S. private workforce. It is responsible for approximately 6 percent of the nation’s Gross Domestic Product and is a major source of revenue to the U.S. Treasury, including an estimated \$65 billion each year in federal payroll taxes.

Better known, perhaps, is that this sector, with its 1.8 million nonprofit organizations and approximately 13 million paid employees, has brought together people, and the full diversity of their voices, to meet the needs of communities since the nation’s founding. Every day, and in communities across the nation, nonprofits are providing housing, healthcare, nutrition, workforce development, education, disaster relief, cultural inspiration, spiritual guidance, and environmental stewardship services — among other services that allow all people to thrive.

Because they are governed by boards of directors grounded in the communities they serve, nonprofits are among [the most trusted organizations in the nation](#). In fact, Americans trust nonprofits to bridge and repair national divisions more than they trust corporations, government, or the media.

While independent of government, the charitable sector is an essential service delivery partner to government at the federal, state, and local levels. Despite this vital relationship between government and the charitable sector, there is no permanent representation of, nor expertise on, this sector within the Executive Branch of the federal government. Unlike small and large businesses and countless other constituencies, nonprofits have no assured seat at the table where policy decisions impacting them or the diverse communities they serve, are made.

## About Independent Sector:

Founded in 1980, Independent Sector (IS) is the only national membership organization representing nonprofits, foundations, and corporate giving programs. Our hundreds of member organizations and their networks reach every state in the nation and touch the lives of every American. Our members range from the largest charities in the world to all-volunteer organizations, and from major philanthropic institutions to small, community-based foundations, service organizations, and academic centers.

Independent Sector knows that a healthy, trusted, and equitable charitable sector is essential to ensuring that all people in the United States thrive in a vibrant, pluralistic civil society and a just democracy that works for everyone — not just some. Therefore, charitable organizations must be:

- financially robust;
- powered by a thriving workforce;
- trusted, well-governed, and effective; and
- informed and active advocates, as allowed by law.

Independent Sector has always worked to serve as the Executive Branch’s “gateway” to the full breadth of the charitable sector — philanthropy and operating nonprofits alike. In 2021, Independent Sector led the drafting process of a proposed [Executive Order](#) to strengthen the partnership between the nonprofit sector and the federal government. Since that time, Independent Sector has met bi-weekly with the Executive Offices of the President to build mutual awareness, provide subject matter expertise, identify areas for deeper collaboration, leverage the reach of nonprofits as partners in times of crisis (such as the COVID-19 pandemic), and regularly convene sector and Executive Branch leaders on topics of mutual importance.

As the presidential transition continues, Independent Sector stands ready to assist the incoming administration with insights and actionable “wins” that it might quickly take to ensure a robust and sustained partnership that serves our shared aims and, ultimately, the needs of the communities we both serve.

Following are specific structural, policy, and data access recommendations that IS is eager to discuss with the incoming administration. Many of these recommendations are also outlined in our [recent letter](#) to the leadership of the House Ways and Means and Senate Finance Committees, which discusses sector priorities as we enter the tax debate of 2025.

The following recommendations, informed by a survey of sector leaders, provide an opportunity for the incoming administration to advance both policy and structural proposals that have not been realized by previous administrations.

## Charitable Organizations Are Financially Robust:

Charitable organizations rely on three sources of revenue to advance their missions: (1) earned revenue; (2) government grants and contracts; and (3) charitable donations. Each of these revenue streams come with inherent challenges and limitations, often constricting the ability of charitable organizations to serve their communities, keep their basic operations afloat, and recruit and retain staff.

As noted above, charitable organizations are a major employer and contribute a significant portion of our GDP. It is therefore in the interest of both the communities we serve and the U.S. economy that nonprofits are financially healthy.

We urge the incoming Trump Administration to:

- **Work with Congress and the charitable sector to fashion a tax code that strengthens financial resources for the sector.** Specifically, the administration can encourage congressional leaders and champions of charitable giving —including Senator Lankford (R-OK), Representative Moore (R-UT), and others — to ensure that every taxpayer has access to the [charitable deduction](#), whether or not they itemize their returns.
- **Design, implement, and enforce federal grant and contracting reforms that ensure nonprofit organizations are paid on time and fully reimbursed for their costs to deliver vital services.** As it reviews various regulations and federal government contracting and granting procedures, the White House can work with nonprofit leaders and relevant agencies to simplify, expedite, and streamline those procedures, better ensuring they address the often unique characteristics of the nonprofit sector. We strongly support continued enforcement of 2024 revisions to the OMB Uniform Guidance under title 2 of the Code of Federal Regulations.
- **Improve upon prior efforts to provide capacity-building grants to nonprofits, such as the Nonprofit Capacity Building Program (NCBP).** This federal grant program, administered by AmeriCorps, was designed to increase the capacity of intermediary grantees to provide specific assistance to improve the sustainability of and expand services provided by small and midsize nonprofits in communities facing resource hardship challenges.
- **Change the federal law that hurts the ability of nonprofits to recruit volunteers by limiting how much they can reimburse volunteer drivers.** The Volunteer Driver Tax Appreciation Act would ensure volunteer drivers are reimbursed at the same rate as business employees for miles driven as part of their work responsibilities. The mileage rate disparity can be addressed through upcoming tax legislation.
- **Task the nonprofit research community and the U.S. Department of Commerce/Bureau of Economic Analysis with the creation of a Satellite Account on the Nonprofit Sector.** A common practice in developed economies — yet not in the United States — a satellite account on the nonprofit sector will provide a more accurate understanding of the sector's contribution to the nation's GDP, which as currently reported, underestimates that contribution.

## Charitable Organizations Are Powered by a Thriving Workforce:

The nonprofit sector is the third-largest employer of the private workforce. Nonprofit workers — paid, stipended, and volunteer — are always on the frontlines in times of crisis, need, and healing. Yet, [new research commissioned by Independent Sector](#) shows that almost one-quarter of that paid workforce lives paycheck-to-paycheck. In short, nonprofit workers need many of the same services they provide to others.

The federal government rightly provides a variety of supports (tax incentives, data, granting programs) to foster a vibrant private sector workforce. We ask the Trump Administration to work with federal policymakers to make similar and appropriate supports available to the nonprofit workforce. Specifically:

- **Give nonprofit organizations access to existing tax incentives available to for-profit businesses.** Nonprofit employers annually pay approximately \$65 billion in the form of payroll taxes. When nonprofit employers take the same beneficial actions envisioned by Congress to hire and invest in their workforce — such as investing in employer-provided childcare or paid family and medical leave — they should have access to the same tax incentives as their for-profit counterparts. One such incentive for small nonprofit employers who start up a retirement program could be addressed by legislation recently introduced by Senator Lankford (R-OK): S. 4965 in the 118<sup>th</sup> Congress. This is an opportunity to advance fairness in the tax code and should be a priority in the upcoming tax debate.
- **Direct the Department of Labor and its Bureau of Labor Statistics (BLS) to deliver quarterly wage and employment data on the nonprofit sector.** BLS wage and employment data are essential to understanding the health of a workforce and shaping needed interventions to support workers. Currently, the for-profit sector receives such quarterly BLS reports, while the nonprofit sector must wait five years for those data, that when delivered, are two years old. Fixing this data inequity is among the highest data priorities for our sector and an area where there is strong support in Congress.
- **Protect and strengthen national service programs.** National service programs provide an essential vehicle for Americans of all ages to serve their communities and transform their own lives in the process. Service programs also provide a critical pipeline of emerging leaders — from urban and rural communities across the nation — into the American workforce, including the nonprofit workforce.
- **Preserve the Public Service Loan Forgiveness (PSLF) Program.** Public service professionals, like nonprofit employees, deliver services to the communities that need them most and help uplift families across the nation. PSLF — created in 2007 under a Republican president — helps nonprofits to recruit and retain dedicated workers, because our employees can have more confidence that their student debt will not hinder their long-term financial goals.

## Charitable Organizations Are Trusted, Well-Governed, and Effective:

It is well documented that public trust in all American institutions is in decline. It is also well documented that nonprofits are among the most, if not the most, trusted institutions in the nation. This level of public trust in the nonprofit sector positions our sector as a unique interlocutor across partisan divides, with an ability to engage communities often left out of the policy formulation process.

Maintaining public trust in the sector depends on a careful balance of needed (and enforced) government regulation and an unbending commitment of sector leaders to rigorous self-governance. We encourage the incoming Trump Administration to engage this sector to build these levels of essential trust. Specifically, we urge the Trump Administration to:

- **Recognize that keeping partisan politics out of nonprofits is essential to maintaining public trust in nonprofits.** The prohibition on political campaign activity serves as a critical firewall, protecting the nonprofit sector from an increasingly bitter and divided political landscape. We must maintain the absolute prohibition on political campaign activity for 501(c)(3) nonprofit organizations, also known as the Johnson Amendment. This is not a matter of religious freedom — a recent [survey of evangelical leaders](#) found overwhelming belief that pastors should not endorse politicians from the pulpit.
- **Support IRS enforcement funding and tools to help prevent abuse of the nonprofit sector.** The charitable sector is a real and growing force in both the civic and the economic health of the nation, but funding for the IRS Exempt Organizations (EO) Division has not kept pace. The American public in general — and donors and volunteers in particular — expect that someone is watching for bad actors, and that those who exploit the nonprofit sector for their own gain will face consequences. The Trump Administration can and should work with the sector and Congress to ensure regulators have the tools and resources needed to enforce the rules that are currently on the books.
- **Instruct the IRS to immediately rescind Form 1023-EZ and work with sector stakeholders and Congress to replace it.** Form 1023-EZ, released by the IRS in 2014, dramatically, and unwisely, simplified the application process for 501(c)(3) status. Subsequent analyses by the IRS's own internal watchdogs make clear that the revised form does not collect sufficient information to make adequate determination of this privileged tax status. The continued existence of this blatant mechanism for fraud hurts trust in the sector. We look forward to a collaborative effort, to include the administration, the Congress, and state charity regulators to replace it.
- **Craft any policies to “reform” the charitable sector in consultation with those who will be impacted by such efforts.** We are aware of — and we welcome — many well-intentioned proposals from policymakers, academics, and others about the need to alter laws and/or regulations to prevent abuse of our sector and to ensure funds are put to the best use. Independent Sector believes that sensible reforms to appropriate laws and regulations could strengthen the nonprofit sector and bolster public trust, while also ensuring the bedrock principles of a pluralistic civil society. We are equally wary of those attempting to bend nonprofits toward their own perspectives or purposes under the guise of “reform.” We approach the new administration, and the imminent tax debate in Congress, as a good faith partner willing to listen to, and work with, those who seek a healthy and trusted nonprofit sector

that is well positioned to ensure our shared aim — that all people in the U.S. are thriving in a just democracy and robust civil society.

### **Charitable Organizations Are Informed and Active Advocates, as Allowed by Law:**

The best and most durable ideas for building strong communities and a healthy democracy don't always come from Washington. They come from communities — and from community-based, nonprofit organizations — that know what they need. Their voices as nonpartisan experts and advocates in the policymaking process are essential, and history has shown time and again how effective their voices can be.

While greater levels of nonpartisan policy advocacy by nonprofits are essential to the change process and a healthy civil society, keeping political campaigns or other partisan activity out of the nonprofit sector is a bedrock concern. Specifically, we encourage the Trump Administration to:

- ***Direct the Department of the Treasury and IRS to work with the sector to consider additional guidance on the rules governing nonpartisan nonprofit advocacy and civic engagement.*** Recent research makes clear that nonprofits are often unclear on what the rules allow them to do as advocates. Therefore, too many choose not to engage, resulting in public policies designed without the input of communities. Additional guidance and examples of permitted nonpartisan activities could help more nonprofits engage legally and appropriately in our democracy.
- ***Engage charitable sector leaders as you fashion the priorities of your administration.*** As is true in any administration, there will be vocal proponents and opponents to any given policy priority. That is an American tradition to be upheld. However, regular, informed, and honest engagement with the charitable sector is an invaluable means of bringing community voices — from all corners — into the policy development process. Having deep and trusted expertise within the administration that can engage the sector is critical.

### **How and Where to Begin:**

Independent Sector is anxious to listen to and engage with this administration on the ideas it brings to what we hope is a shared goal — a healthy, trusted, and equitable nonprofit sector in this nation.

We suggest a critical first step in this direction is the creation of an Office on the Nonprofit Sector housed within the Executive Office of the President. Such an office would be staffed by a small number of experts who deeply understand the unique role and needs of all parts of this sector, from those who make the grants to those who do the work on the ground to better the lives of people across the nation. Additionally, this small team — perhaps loaned by the sector — would be ideally positioned to coordinate across federal agencies, almost all of which depends upon the work of nonprofits at some level. This office should create absolutely no new

oversight or regulation of the sector, while being well equipped to recommend where the partnership between the sector and the administration can best be leveraged on shared goals.

An Executive Order to create such an office was submitted to the Biden Administration but not acted upon, despite several other ways in which the relationship between the administration and the sector was made more robust. We look forward to sharing a similar proposal with the incoming Trump team.

### **Additional Information and Next Steps:**

In the coming weeks and months, the Independent Sector team will work to engage the incoming Trump Administration to discuss these and other matters regarding our shared goals and the ways in which we might work together. In the meantime, please do not hesitate to reach out to Dr. Akilah Watkins, president and CEO of Independent Sector, at [akilahw@independentsector.org](mailto:akilahw@independentsector.org), or Jeffrey Moore, chief strategy officer of Independent Sector, at [jeffreym@independentsector.org](mailto:jeffreym@independentsector.org).

For more information, visit [Independent Sector — A Vital Meeting Ground](#).