



# TaxNewsFlash

## Exempt Organizations

No. 2025-029  
October 1, 2025

## IRS Priority Guidance Plan for 2025-2026—exempt organization projects

The U.S. Treasury Department and IRS yesterday released the [2025-2026 Priority Guidance Plan](#).

The Priority Guidance Plan is used each year to identify and prioritize tax issues to be addressed through regulations, revenue rulings, revenue procedures, notices, and other published administrative guidance.

The 2025-2026 Priority Guidance Plan contains 105 guidance projects that are priorities for allocating Treasury and IRS resources during the 12-month period from July 1, 2024, through June 30, 2025. Of these projects, 11 have been released or published as of August 31, 2025.

Below is a list of projects in the Priority Guidance Plan that may have an impact on tax-exempt organizations.

### One, Big, Beautiful Bill Act (OB3) implementation

- Guidance under section 4960 regarding excess compensation paid by applicable tax-exempt organizations, including the expanded definition of “covered employee.”
- Regulations under section 4968 regarding excise tax based on investment income of certain private colleges and universities.
- Guidance under section 25F on the income tax credit for contributions of individuals to scholarship granting organizations.
- Guidance under section 45S regarding paid family and medical leave credit. (Treasury and the IRS previously indicated in Notice 2018-71 that the section 45S credit (prior to amendment by OB3) was unavailable to section 501(c)(3) organizations.)

### Deregulation and burden reduction

- Regulations under section 4945 regarding expenditure responsibility requirements.
- Final regulations under section 4966 regarding donor advised funds, including excise taxes on sponsoring organizations and fund management. Proposed regulations were published on November 14, 2023.
- Regulations under section 6104 regarding the place for public inspection of materials relating to tax-exempt organizations, pensions, and other plans.
- Guidance concerning the reporting of charitable contributions of trusts under section 6034.

- Guidance removing §1.6011-18 regarding identification of partnership related-party basis adjustment transactions as transactions of interest. Notice announcing intention to publish proposed regulations published on May 5, 2025, as Notice 2025-23.

### **Section 501(c)(3) issues**

- Guidance on the application of the fundamental public policy against racial discrimination, including consideration of recent caselaw, in determining the eligibility of private schools for recognition of tax-exempt status under section 501(c)(3). The eligibility of private schools for section 501(c)(3) status is addressed in Rev. Proc. 75-50, which currently provides that a “policy of a school that favors racial minority groups with respect to admissions, facilities and programs, and financial assistance will not constitute discrimination on the basis of race when the purpose and effect is to promote the establishment and maintenance of that school's racially nondiscriminatory policy as to students.”
- Guidance on the statutory prohibition in section 501(c)(3) against participation or intervention in political campaigns (the “Johnson Amendment”).

### **Tribal tax issues**

- Regulations under section 139E regarding the requirements for Tribal general welfare benefits, including Alaska Native Corporations. Proposed regulations were published on September 17, 2024.
- Final regulations under section 7701 regarding the Federal tax treatment of an entity wholly owned by one or more Indian Tribal governments. Proposed regulations were published on October 9, 2024.
- Final regulations under section 415 regarding section 7873 treaty fishing rights income. Proposed regulations were published on November 15, 2013.

### **Prior guidance projects omitted**

In addition, numerous guidance projects that were formerly on the Priority Guidance Plan that would have impacted on tax-exempt organizations have been omitted from the list, including:

- Guidance revising Rev. Proc. 80-27 regarding group exemption letters. Notice 2020-36 was published on May 18, 2020.
- Guidance illustrating the application of the regulations under section 501(r).
- Regulations under section 512 regarding the allocation of expenses in computing unrelated business taxable income and addressing how changes made to section 172 net operating losses by section 2303(b) of the CARES Act apply for purposes of section 512(a)(6).
- Guidance under section 4941 regarding a private foundation's investment in a partnership in which disqualified persons are also partners.
- Regulations under section 4967 regarding prohibited benefits, including excise taxes on donors, donor advisors, related persons, and fund management.
- Regulations under section 4958 regarding donor advised funds and supporting organizations.

- Guidance regarding the public-support computation with respect to distributions from donor advised funds.
- Final regulations designating an appropriate high-level Treasury official under section 7611. Proposed regulations were published on August 5, 2009.
- Guidance under section 170 regarding charitable contributions.
- Guidance under section 170 regarding conservation easements, including facade easements.
- Guidance under section 7701 providing criteria for treating an entity as an integral part of a State or local government

## Overview

The Treasury Department and IRS explain that some projects that were on the 2024-2025 plan are not included on the 2025-2026 plan because they do not belong to one of these priority categories for purposes of allocating resources during the 2025-2026 plan year, although some of those projects may be considered for inclusion on a future priority guidance plan.

The Treasury Department and IRS intend to update the 2025-2026 plan during the plan year to reflect additional items that become priorities, guidance that is published during the plan year, and projects that may result from legislative developments. In particular, the Treasury Department and IRS expect to add additional deregulatory items to the plan as they continue to evaluate comments received from taxpayers and tax practitioners, and they invite the public to continue to provide comments and suggestions throughout the plan year.

## KPMG observation

The 2025-2026 plan, with only 105 guidance projects, appears to include items of guidance that the Treasury Department and IRS actually intend to release before June 30, 2026. This is unlike the 2024-2025 plan, which included 231 guidance projects, as well as prior plans that often included guidance items that appeared to be more aspirational.

**For more information, contact your usual KPMG tax professional or one of the following Washington National Tax professionals:**

Ruth Madrigal | [ruthmadrigal@kpmg.com](mailto:ruthmadrigal@kpmg.com)  
 Preston Quesenberry | [pquesenberry@kpmg.com](mailto:pquesenberry@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](https://www.washingtonnationaltax.com). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](https://www.washingtonnationaltax.com).

[Privacy](#) | [Legal](#)

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.