Tax Insights
from Exempt Organization
Tax Services

Ways and Means Committee advances tax-exempt organization transparency and foreign influence bills

July 31, 2026

In brief

What happened?

The House Ways and Means Committee on July 22 advanced four bills that would impose new reporting requirements, excise taxes, and other limitations on certain tax-exempt organizations. The bills advanced on party-line votes, with Republicans voting in favor and Democrats opposed. The bills reflect a focus by Ways and Means Republicans on questions about foreign influence in US exempt organizations, disclosure standards, fiscal sponsorship transparency, political activity, and the tax treatment of religious organizations.

Why is it relevant?

The proposals align with a broader trend toward heightened scrutiny of exempt organization governance, funding traceability, and public reporting. In particular, the foreign funding and fiscal sponsorship proposals could require organizations to collect and report information that may not currently be captured in existing donor management, grantmaking, accounting, or Form 990 reporting systems.

Actions to consider

While the outlook is unclear for the enactment of these proposals by the current Congress, tax-exempt organizations may wish to begin assessing how the proposals could affect their operations if enacted. Consider the following steps:

- **Review donor intake processes** to determine whether current systems capture information relevant to foreign-source contributions.
- **Inventory fiscal sponsorship arrangements** and evaluate whether existing agreements, accounting records, and project documentation identify the sponsored project, funding amounts, activities to be supported, project start dates, oversight mechanisms, and expenditure controls.
- **Assess political activity controls** for organizations that receive foreign-source or foreign-national contributions, including controls over contributions to political committees and participation in coalitions.
- **Monitor legislative developments** because the scope, effective dates, definitions, and technical details of the bills could change as the legislative process continues.
- **Prepare for continued oversight** even if enactment is unlikely this year because the Ways and Means activity suggests that foreign funding, fiscal sponsorship, donor transparency, and political activity may remain areas of congressional interest.

In detail

The House Ways and Means Committee approved the following four bills.

Foreign Funding Transparency Act

The committee voted 23-18 along party lines to approve **H.R. 9772, the Foreign Funding Transparency Act**. The bill would require specified tax-exempt organizations to disclose information on contributions received from foreign sources on their annual returns. The new disclosure requirements would apply to returns filed for the tax year beginning after the date that is one year after the date of the enactment.

Under the proposal, specified tax-exempt organizations are any organization defined in Section 501(c) if the organization had at least $200,000 in gross receipts in the prior tax year or the assets of the organization were at least $500,000 as of the end of the prior tax year. Such organizations would be required to report the amount of contributions received from foreign nationals, including separate reporting of the portion of those contributions received from “countries of concern,” which is defined by reference to 42 USC 19221 to include China, Korea, Russia, Iran, or any other country determined to be a country of concern by the Department of State.

The bill provides that an organization may rely on the representation of a donor as to the nationality of such donor unless such organization knows or should have known that such representation is false.

Ways and Means members supporting the legislation have described the bill as a transparency measure intended to allow the government to collect baseline data on foreign participation in tax-exempt organizations. One committee member, who opposed the bill, expressed concern that the proposal could create significant administrative burdens for charities by requiring them to request nationality information from donors, including small-dollar donors.

Observation: The bill would impose significant additional information gathering, record keeping, and reporting obligations on organizations that receive contributions from foreign sources. The practical extent of these operational challenges could depend heavily on the Treasury regulations interpreting the bill, if enacted.

Fiscal Sponsorship Transparency Act of 2026

The committee voted 23-15 to advance **H.R. 9721, the Fiscal Sponsorship Transparency Act of 2026**. The bill would impose additional reporting requirements on Section 501(c)(3) organizations that engage in fiscal sponsorship arrangements. The bill also would impose excise taxes on specified organizations that make, and organization managers who approve, certain improper conduit arrangements. The bill, if enacted, will take effect for tax years beginning after December 31, 2027.

The proposal would require organizations to report additional information on the Form 990, including:

- the name of each party to a fiscal sponsorship arrangement;
- the aggregate amounts made available under the arrangement for a specific project or the amounts transferred to the person on whose behalf the organization receives and administers amounts;
- a description of the activities to be funded through the fiscal sponsorship;
- the name of the individual managing the fiscal sponsorship arrangement on behalf of the organization; and
- the date the fiscal sponsorship arrangement began, and, if applicable, ended.

The bill also would impose excise taxes on specified organizations that make transfers under an improper conduit arrangement and on organization managers who agree to such transfer. For this purpose, a “specified organization” generally means an organization described in Section 501(c)(3). An “improper conduit arrangement” is defined as an arrangement under which contributions are solicited or received on behalf of an entity that is not tax-exempt and the specified organization fails to exercise discretion and control over the funds.

Initial excise taxes imposed on the organization would be 20% of the amount of the transfer. An additional 100% tax could be imposed if the improper transaction is not timely corrected. The initial tax on organization managers would be 5% of the transfer with an additional tax of 50% if the transfer is not corrected. The initial tax on managers is capped at $10,000, and the additional tax is capped at $20,000.

Ways and Means members supporting the legislation have stated that fiscal sponsorship arrangements should be subject to greater transparency because a lack of visibility can create uncertainty regarding how charitable donations are administered and whether sponsoring organizations are exercising appropriate oversight. One committee member, who opposed the bill, argued that it could create uncertainty by establishing a statutory framework for fiscal sponsorship arrangements and imposing new reporting requirements and excise taxes.

Observation: Fiscal sponsorship arrangements can vary significantly in structure, documentation, control, and accounting treatment. The Code currently does not contain a comprehensive definition of fiscal sponsorship, which may create drafting and implementation issues if Congress moves forward with a statutory reporting framework. If enacted, the proposal could require sponsoring organizations to maintain more standardized records regarding sponsored projects, funding flows, project activities, governance, and oversight. Organizations with multiple sponsored projects may need to assess whether current systems can produce project-level information in a consistent and reportable manner.

Stopping Foreign Influence in Elections Act of 2026

The committee voted 23-16 to advance **H.R. 9771, the Stopping Foreign Influence in Elections Act of 2026**. The bill would impose penalties on specified tax-exempt organizations that make “disqualified political committee contributions.” A “disqualified political committee contribution” is any contribution made to a “political entity” by a specified tax-exempt organization that received a contribution from a foreign national during a testing period consisting of the two-year period ending in the date of the political contribution. The bill would apply to contributions made more than one year after enactment.

The bill defines “specified tax-exempt organizations” as any organization described in Section 501(c) if the organization had at least $200,000 in gross receipts in the prior year or the assets of the organization were at least $500,000 as of the end of the prior tax year. A “political entity” means a political committee as defined in Section 301 of the Federal Election Campaign Act of 1971 (i.e., a Separate Segregated Fund or Political Action Committee) or any organization described in Section 501(c)(4). Under the proposal, a disqualified political committee contribution would trigger escalating tax consequences:

- for a first offense, the organization would be taxed at **100%** of the contribution;
- for a second offense, the organization would be taxed at **200%** of the contribution; and
- for a third or subsequent offense, the organization would be taxed at **200%** of the contribution and would lose its tax-exempt status for the next two years.

Observation: If enacted, the proposal could have broader consequences for tax-exempt organizations that receive even a single foreign contribution and later participate in political or advocacy-related activities, including contributions to political committees or certain coalition activities involving Section 501(c)(4) organizations.

Observation: Under current law, Section 501(c)(3) organizations are prohibited from participating or intervening in political campaigns. Accordingly, Section 501(c)(3) organizations typically do not contribute funds to political committees, and their contributions or grants to Section 501(c)(4) organizations normally are conditioned on the requirement that the recipient will not use the funds for political campaign activities. On its face, the proposed legislation does not appear to provide an exception if grant terms prohibit the Section 501(c)(4) recipient from using grant funds for political campaign activities.

Observation: The proposal could increase the importance of tracing funds and documenting controls where an organization receives foreign-national contributions and also makes contributions to political entities. Organizations potentially within scope may wish to evaluate whether they can identify foreign-national contributions, segregate restricted funds, and demonstrate that political committee contributions are not disqualified contributions.

Fair Treatment of Religious Organizations Act of 2026

The committee also voted 23-16 to advance **H.R. 9722, the Fair Treatment of Religious Organizations Act of 2026**. The bill would expand or clarify the treatment of religious beliefs or practices under Section 501.

Under the proposal, religious beliefs or practices concerning marriage, sexuality, or gender identity would not be treated as inconsistent with law or public policy. The proposal also would provide that a belief does not fail to be treated as religious merely because the belief is not central to a religious system. If enacted, the bill would apply to tax years beginning in 2026.

The proposal is notable in light of ongoing attention to the public policy doctrine and the tax treatment of religious organizations. It also may intersect with potential administrative guidance, as the Administration may consider rulemaking on related issues through the IRS Priority Guidance Plan.

Observation: This proposal differs from the other bills advanced by the committee because it is not primarily a reporting measure. Instead, it would address how certain religious beliefs and practices are treated for purposes of Section 501. Religious organizations may wish to monitor the proposal for potential implications regarding exemption standards, governance policies, public policy considerations, and interactions with other federal or state law requirements.

The takeaway

While the path to enactment of these proposals may face significant challenges during the limited time remaining for the current Congress, the committee's actions do reflect some interest in increasing transparency and oversight of tax-exempt organizations, particularly with respect to foreign funding, fiscal sponsorship arrangements, and political activity. Organizations with foreign-source contributions, fiscal sponsorship programs, political committee contribution activity, or religious missions may wish to evaluate potential impacts if one or more of the bills are enacted into law. Tax-exempt organizations also may wish to monitor whether these proposals are modified, combined with other measures, or included in a broader "waste, fraud, and abuse" or transparency-focused package.

***Observation**:* The opportunity for major tax legislation during the remainder of this Congress appears limited, particularly given the need for most bills to have bipartisan support in the Senate where 60 votes generally are needed to advance legislation. Legislation considered under reconciliation procedures can be approved by a simple majority in the Senate, but the budget resolution recently approved by the House that calls for a third reconciliation does not include any instructions for the Ways and Means Committee to contribute tax proposals to that pending effort. In addition, key Senate Republicans have expressed doubts over whether there are sufficient Republican votes in that chamber to act on a third reconciliation bill, or a possible fourth reconciliation bill after the midterm elections that some Republican officials have suggested could be considered.

See also

PwC Tax Insight: Ways and Means Committee advances tax-exempt hospital transparency bill (July 10, 2026)

Let’s talk

For a deeper discussion of how these developments may affect your organization, please reach out to your PwC engagement team or a member of our Exempt Organization Tax Services practice:

Exempt Organization Tax Services

Rob Friz, *Philadelphia*
+1 302-545-0885
robert.w.friz@pwc.com

Erica McReynolds, *Philadelphia*
+1 610-213-1187
erica.r.mcreynolds@pwc.com

Travis Patton, *Washington*
+1 703-517-9744
travis.patton@pwc.com

Meet our Exempt Organization Tax Services team