Association of Performing Arts Professionals

HR1: Risk to Realignment

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Key Impact Areas and Strategic Opportunities under OBBBA

Performing arts organizations are confronting one of the most consequential policy shifts in decades—one that impacts how we fundraise, operate, and define our public value.

Now signed into law, H.R. 1 (the “One Big Beautiful Bill Act” or “OBBBA”) brings sweeping changes to tax policy, entitlement programs, and nonprofit oversight. While many sectors are still reacting, the performing arts field has a unique opportunity to lead.

To help you move from reactive concern to strategic clarity, APAP created this guide. It translates the law’s implications into:

- Tangible shifts for the performing arts sector
- Actionable pivots you can make now
- Proven strategies for converting disruption into opportunity

From reframing donor appeals and grant proposals to protecting advocacy work and repositioning corporate sponsorships, this resource is designed to help you respond with agility and purpose.

You’ll also find a link to **APAP’s Message Reframing Matrix** in the final section, designed to help sharpen your language, align your strategies, and stay relevant in a rapidly changing landscape.

Thank you for your tireless advocacy for the arts.

Core Areas of Impact and Opportunity for the Arts

H.R. 1 marks the most comprehensive restructuring of federal charitable, fiscal, and entitlement policy in a generation. It tightens individual and corporate giving incentives, increases scrutiny of nonprofit activity, and eliminates key supports like Public Service Loan Forgiveness, all of which reshape how mission-driven institutions justify their value.

These shifts bring real challenges, especially for nonprofits, universities, and cultural intermediaries. But they also underscore the essential role of the performing arts in building belonging, economic resilience, and civic imagination.

Now is the time to lead, not just adapt. The following sections spotlight where performing arts organizations can take bold, proactive steps to recalibrate messaging, engage funders, and drive field-wide collaboration. These "impact zones" show how disruption can become a launchpad for innovation, relevance, influence, and long-term strength.

Individual Giving: Reduced Incentives, New Narratives

Sec. 70425 *– "Denial of Charitable Deduction Below AGI Threshold";* ***Sec 70102*** *– "Increase in Standard Deduction";* ***Sec 70103*** *– "Limitation on Itemized Deductions" –* *View HR1*

Issue: H.R. 1 makes permanent structural changes to the individual charitable giving landscape:

- Sec. 70425 introduces a 0.5% AGI threshold—meaning charitable contributions are only deductible once a taxpayer's giving exceeds this amount.
- Sec. 70102 expands the standard deduction, significantly reducing the number of taxpayers who itemize.
- Sec. 70103 maintains the 35% cap on itemized deductions.

Impact & Opportunity:

- With fewer donors itemizing, and a new minimum threshold, large gifts will be less predictable.
- However, this opens a path to reframe giving around civic identity and shared impact rather than personal tax benefit. This is an opportunity to build deeper alignment with values-based donors, especially among DAF (Donor Advised Funds) holders and consistent contributors.

How to Prepare:

- *Target your Outreach:* Prioritize donor segments more likely to give under these new conditions (e.g., DAF holders, small-dollar donors, repeat givers).
- *Reframe Messaging:* Emphasize civic impact—"Every gift strengthens community belonging"—not tax perks.
- *Use Accessible Language:* "Your gift may now be fully deductible, even if you don't itemize," when referencing the universal charitable deduction in Section 110109.
- *Track and Test:* Analyze appeal performance across platforms to refine your messaging strategy and share field insights.

Institutional Grantmaking: New Excise Pressures, Strategic Realignment

Sec. 112021 *– Modification of excise tax on investment income of certain private colleges and universities;* ***Sec. 112022*** *– Increase in rate of tax on net investment income of certain private foundations –* *View HR1*

Issue: H.R. 1 introduces a tiered excise tax structure (up to 21%) on university endowments (Section 112021) and up to 10% on private foundations (Section 112022). These new rates elevate the cost of maintaining large institutional assets, potentially reducing grantmaking flexibility or raising the bar for giving.

Impact & Opportunity:

- Generational shifts in grant behavior may limit general operating and innovation funding or create a higher bar for access.
- Yet, this is a chance to position the performing arts as stable, high-impact partners in civic infrastructure and community resilience—ideal for funders seeking value amid financial tightening.

How to Prepare:

- Prioritize outreach to funders less affected by new excise brackets—particularly smaller family foundations, corporate DAFs, and regional philanthropies.
- Refresh proposals to emphasize resilience, economic vitality, and broad social impact—not just artistic outcomes.
- Create collaborative multi-org proposals that share administrative overhead and demonstrate shared reach—reinforcing your organization as a trusted and efficient field leader.

Rising Community Needs: Medicaid & SNAP Cuts Heighten Local Reliance

Subtitle A *– Nutrition (Sections 10001–10011);* ***Subtitle B*** *– Health Coverage Provisions –* *View HR1*

Issue: H.R. 1 implements over $1 trillion in federal safety net reductions by restructuring Medicaid and SNAP. These include stricter work requirements, narrowed eligibility, and cost-shifting responsibilities to states. Nonprofit and cultural institutions, often overlooked in budget formulas, will be called upon to meet rising community needs with fewer public supports.

Impact & Opportunity:

- Performing arts organizations will face increased demand for accessible, affordable, or free programming, especially from youth, elders, and underserved populations.
- This environment also creates new space to formalize partnerships with public health, education, and housing sectors by positioning the arts as a relative low-cost, high-impact civic asset in care delivery and social connection.

How to Prepare:

- *Map and Align with Local Priorities:* Identify gaps in mental health support, education access, workforce reentry, or trauma recovery, and connect your programming to those goals.
- *Document Value Through Story and Data:* Collect evidence (audience stories, community outcomes, economic benefits) that demonstrate the performing arts as a driver of resilience and well-being.
- *Use Trauma-Informed Messaging:* Frame performances, residencies, and community work as healing-centered engagements rooted in cultural grounding and civic repair.
- *Build Cross-Sector Partnerships:* Engage healthcare providers, school systems, or housing groups in joint proposals that highlight your shared community impact. For example, partner with local mental health orgs to co-host arts-based healing events, or with schools to embed arts in trauma-informed curriculum.

Workforce Pipeline Shifts: Loan Relief Loss, Need for Retention Investment

Sec. 30024 *– Changes to Public Service Loan Forgiveness and student loan repayment terms –* *View HR1*

Issue: PSLF sunsets for new borrowers after FY 2025; while employer loan payments stay tax-free, a major public-service incentive is removed.

Impact & Opportunity:

- Career entry into nonprofit arts may shrink, especially in rural, BIPOC, and first-gen communities, undermining diversity and capacity.
- Still, this change opens the door to create collaborative, sector-wide retention pathways that reinforce mission, community, and shared culture.

How to Prepare:

- Partner with peer institutions to design multi-org fellowships, residencies, or apprenticeships, spreading cost and boosting retention.
- Advocate for alternative relief like nonprofit loan forgiveness, federal/state education stipends, or arts employment tax credits.
- Enhance internal retention efforts such as offering flexible work arrangements, mental health days, and clear career advancement pathways and communicate these benefits to prospective funders and new hires.

Adjusted Corporate Giving Incentives: New Floor Reduces Tax Benefits for Mid-Sized Sponsors

Sec. 70426. *1-percent floor on deduction of charitable contributions made by corporations. –* *View HR1*

Issue: The law establishes a 1% AGI (Adjusted Gross Income) floor for corporate charitable deductions, making it harder for many companies—especially mid-sized businesses—to deduct arts sponsorships or philanthropic gifts.

Impact & Opportunity:

- Local and regional corporate support may decline or shift toward lower-effort, non-charitable marketing spend.
- However, this creates an opening for arts organizations to reposition themselves as high-ROI civic partners, offering cultural relevance, brand visibility, and workforce engagement beyond tax incentives.

How to Prepare:

- *Lead with strategic value:* Frame your sponsorship pitch around outcomes CSR leaders already care about, such as employee wellness, brand engagement, DEI visibility, and local impact.
- *Build scale through collaboration:* Create bundled opportunities with peer organizations (regionally or thematically) to offer sponsors wider reach and community-level storytelling.
- *Track and report impact metrics:* Elevate your value by demonstrating audience reach, community outcomes, economic contributions, and workforce alignment—making the case for strategic partnership over tax benefit.

University-Based Arts Centers: New Pressures, New Partnerships

***Sec. 112021** – Modification of Excise Tax on University Endowments; **Sec. 30024** – Termination of PSLF for New Borrowers*

Issue: H.R. 1 increases financial and staffing pressure on performing arts centers housed within universities. A new tiered excise tax on university endowments (up to 8%) redirects institutional resources, while the Public Service Loan Forgiveness (PSLF) program sunsets for new borrowers after FY 2025—removing a key tool for retaining early-career arts professionals in higher ed roles.

Impact & Opportunity:

- University presenters may see reduced internal funding for programming, staffing, or artist residencies. Staff recruitment and retention challenges will intensify, especially for first-gen, rural, and BIPOC professionals drawn to mission-driven campus work.
- However, this is a chance to position performing arts centers as high-impact, student-serving civic assets, critical to talent retention, public engagement, and cultural inclusion on campus.

How to Prepare:

- *Strengthen internal alliances:* Reaffirm your value-forward role as part of the university's student success, program accessibility, admissions marketing, and engagement strategy.

- *Develop shared-value narratives:* Frame your center as a driver of wellness, retention, broad local business and tourism success, and alumni engagement, not just "arts programming."
- *Mobilize for protected arts funding:* Use HR1's impact to ignite urgent conversations with university leadership, trustees, alumni networks, and state legislators about safeguarding campus arts centers as essential engines of civic engagement, student belonging, and public value, not discretionary line items vulnerable to cuts.

WHAT DIDN'T CHANGE AND WHY THAT MATTERS

While H.R. 1 introduces major challenges, it also preserves—and in some cases creates—avenues that can support and strengthen the performing arts sector. Here are three key provisions you can actively leverage:

Universal Charitable Deduction = New Path to Small Donor Growth

Sec. 70427*. Permanent and expanded reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize. –* *View HR1*

Issue: Reinstated a universal charitable deduction available to all filers—regardless of itemization status—up to $1,000 (single) or $2,000 (joint)

Why this matters:
- Broadens your donor base beyond high-income givers.
- Reinforces messaging that "every gift counts and every donor benefits."
- Supports campaigns rooted in civic duty and shared cultural investment.

Action:
- Repackage small-dollar asks using language like "fully deductible for all" and frame gifts as contributions to community resilience and belonging.

New Scholarship Tax Credit = Expanded Funding for Arts Education

Sec. 110109. *Tax credit for contributions of individuals to scholarship granting organizations –* *View HR1*

Issue: A new nonrefundable tax credit (up to $5,000 for individuals, $10,000 for joint filers, or 10% of AGI) incentivizes contributions to certified scholarship-granting nonprofits. The credit is eligible for a five-year carryforward.

Why this matters:
- Can drive support for youth engagement, pre-professional training, and equitable access to arts education.

- Appeals to donors passionate about lifting up the next generation of artists and leaders.

Action:
- Identify (or become) a qualifying scholarship-granting organization. Use this to unlock education-aligned philanthropy in your messaging.

Due Process Preserved = Sector Voice Protected

Sec. 112209. *Termination of tax-exempt status of terrorist supporting organizations - View HR1*

Issue: The final bill **removed** a provision that would have allowed Department of Treasury to suspend or revoke an organization's tax-exempt status without due process.

Why this matters:
- Upholds essential legal protections for nonprofits—even in politically charged climates.
- Confirms that field-wide advocacy makes a difference.

Action:
- Reassure your board, funders, and staff. Build on this win to deepen your credibility and stay aligned with APAP's broader advocacy strategy.

CLIPS

- H.R.1 - One Big Beautiful Bill Act, Congress.gov
- One, Big, Beautiful Bill: Impact on Philanthropy, Council On Foundations
- Potential Impact of H.R.1 (One Big Beautiful Bill Act) on Charitable Nonprofits, Cerini And Associates
- What Trump's 'Big Beautiful Bill' means for tax cuts, Medicaid, national debt, and more, Fortune
- "Nonprofit Killer" Provision Removed from "One Big Beautiful Bill", Concerns for Charities Remain, Charities & Security Network
- An Analysis of H.R.1 (119th Congress), the "One Big Beautiful Bill Act": Fiscal Consequences and Programmatic Restructuring, Know Your Congress
- 10 Things for City Leaders to Know About "H.R. 1, The One Big Beautiful Bill," National League of Cities
- The One Big Beautiful Bill: A Detailed Breakdown, The Economist
- Tax-Exempt? Not for Long: What H.R.1 Means for Universities, Nonprofits, and Other Tax-Exempt Organizations, Bipartisan Policy Center
- The One Big Beautiful Bill Act: Comprehensive Holland & Knight Analysis, H&K
- Trump Signs 'Big, Beautiful Bill' Into Law, Ushering in New Era for Higher Ed, Inside Higher Ed
- The One, Big, Beautiful Bill: A Mixed Bag for Nonprofits, The Winkler Group
- H.R. 1 Tax Changes: How the One Big Beautiful Bill Affects Nonprofit Organizations in 2025, HBK

WHERE TO FOCUS NOW: STRATEGY MOVES THAT MATTER

This is a moment not only to adjust, but to lead. Here's how your organization can act with power and precision:

Use APAP's Messaging Framework

- Talk about the arts as civic infrastructure, not discretionary programming, using APAP's Message Reframe Guide*.*
- Position your work as delivering on national priorities: belonging, economic resilience, public health.
- Tap into data + story combinations to move hearts *and* budgets.

Make Fundraising a Form of Advocacy

- Every appeal is a message. Every message is an opportunity to campaign. Every campaign is a signal for civic engagement.
- Share trends you're seeing with APAP. We will share field-wide to help strengthen collective advocacy.
- Cross-train development and advocacy staff to ensure alignment and agility.

Target High-Confidence Funders

- Map your most aligned funders (those prioritizing impact over incentives).
- Focus on relationship-building, not one-off appeals.
- APAP will provide a **Funder Map Tool** to prioritize outreach in our next biweekly update.

Reframe Corporate Engagement

- CSR (Corporate and Social Responsibility) is still viable when tied to employee impact and civic alignment.
- Package multi-org sponsorships and co-branded programs.
- APAP will provide a **Sponsorship Repositioning Tool** to align your efforts in our next biweekly update.