

Planning Opportunities for Charitable Giving Based on Tax Law Changes

The **One Big Beautiful Bill Act (OBBBA)**, signed into law on July 4, 2025, includes updates to federal tax rules for charitable giving. Below is general guidance* on how these changes affect your charitable giving.

The OBBBA will affect federal taxes, credits and deductions and is the first meaningful piece of tax reform since the Tax Cuts and Jobs Act (TCJA) in 2017. The OBBBA introduces several new provisions that go into effect in 2026 and extends provisions from the TCJA, which were set to expire at the end of this year.

The extended tax breaks from the TCJA provide more certainty when planning your short-term donations. Whether you give small amounts regularly or make large, one-time gifts, understanding these changes is important to maximize your philanthropic impact and potentially reduce your tax burden.

Key takeaways:

- The law has implications both for donors itemizing deductions and for those taking the standard deduction.
- Itemizers may want to accelerate giving before year end (2025) to maximize tax savings.
- Some provisions apply to giving for the 2025 tax year and should be reviewed now for your year-end giving decisions.
- The “moves to consider” are tax-smart giving actions you can take and sometimes combine with other financial moves.
- Additional insight for donors over 65 and over 70-1/2 is at the end.

Below are specific updates and what they mean for your giving, now and in the future. We encourage you to review them soon and work with your financial advisor and tax preparer to plan your giving most effectively.

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Changes coming out of the OBBBA

New limit on charitable deduction value	<i>Starting in 2026</i>, taxpayers in the 37% federal income tax bracket will see the value of their charitable deduction benefits capped at 35%.	What it means for you: If you're in the highest tax bracket and you itemize deductions when filing income taxes, your donations will still count in full, but your tax break will be a bit smaller. For example, a \$10,000 gift that currently generates a \$3,700 tax savings would be limited to \$3,500 under the new cap. Moves to consider: • Give early: <i>Front-load large future gifts to year-end 2025</i> to lock in the full 37% deduction value before the cap takes effect. Be mindful of adjusted gross income (AGI) rules, as any unused deduction amount rolled over to 2026 is subject to the 35% cap.
Higher deduction floor for itemizers	<i>Starting in 2026</i>, itemized charitable deductions will only apply if your total donations exceed 0.5% of your AGI.	What it means for you: Smaller donations may no longer reduce your tax bill unless they clear this new threshold. For example, if your AGI is \$200,000, only gifts above \$1,000 would be deductible. Moves to consider: • Give early: Gifts made in 2025 qualify for full deductions rather than only amounts above the new floor. • Bunch gifts: Combine several years' worth of donations into one tax year to clear the deduction floor. • Look at all of your assets: Donating appreciated stock, life insurance policies, and other non-cash assets may help exceed the floor while unlocking additional tax advantages.
Universal deduction for non-itemizers	<i>Starting in 2026</i>, taxpayers who take the standard deduction can also deduct up to \$1,000 (single filers)	What it means for you: If you don't itemize deductions, it's a new way to reduce your tax bill while supporting causes you care about. This change will likely provide tax benefits to many taxpayers who previously donated but did not itemize, since around 90% of households take the standard deduction.

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	or \$2,000 (married couples filing jointly) for cash gifts made directly to qualified operating charities. The deduction excludes donor-advised fund (DAF) contributions, and the cap will adjust with inflation over time.	While this tax benefit can't be used with DAFs, it doesn't lessen the value of DAFs—they remain a powerful tool for strategic, tax-smart giving. Note that a DAF account may also receive future contributions by being named as a beneficiary of assets in other accounts. Moves to consider: • Max it out: Consider contributing the full allowable amount each year to claim the deduction. Also, many employers will match charitable donations up to certain limits, so check with your employer to see if they can add to your gift. • Explore a DAF: See how a DAF works and how it may help you have more to give to charity.
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Carried from the TCJA

Permanent income tax brackets	The OBBBA makes current income tax brackets and rates permanent, removing uncertainty around future rate hikes.	What it means for you: With rates no longer set to expire or revert to higher pre-2018 levels, tax planning becomes more predictable—there's no rush to change your giving out of concern for higher tax rates. Moves to consider: • Plan thoughtfully: Work with a financial or tax advisor to strategically manage your giving to maximize your potential tax benefits.
Continued higher standard deduction	<i>For the 2025 tax year, the standard deduction increases to \$15,750 (single filers) and \$31,500</i>	What it means for you: The higher threshold makes it important to evaluate whether your charitable giving combined with other itemized deductions exceeds the standard deduction. This will help you determine if bunching donations within a single year is an effective strategy.

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	(married couples filing jointly), with annual inflation adjustments.	Moves to consider: • Bunch gifts: Consolidate multiple years of donations into a single year to maximize tax benefits. A bunching strategy helps you take advantage of both itemized and standard deductions.
Permanent 60% AGI (adjusted gross income) limit	Permanently extends the ability to deduct cash gifts to public charities (ACI Foundation is classified as a public charity) up to 60% of your AGI.	What it means for you: This higher limit (up from the historical 50% cap) gives donors more flexibility to make and fully deduct large cash gifts in a single year. Keep in mind, the 60% limit applies to public charities, including DAFs, while cash donations to private foundations remain capped at 30% of your AGI.
		Moves to consider: • Carry it forward: If your gifts exceed the annual cap, you can carry forward the unused deduction for up to five tax years.
Increased estate and gift tax exemption	The higher exemption level is now permanent and increased to \$15 million per single filer (\$30 million for married couples filing jointly) for 2026. These amounts are nearly double the 2017 levels and will have future adjustments for inflation.	What it means for you: You can transfer more wealth to your heirs without federal taxes. While the urgency to give for estate tax reasons may be lower, charitable gifts—through an estate plan or beneficiary designation—remain an effective way to lower your taxable estate value if your assets exceed the gift and estate tax exemption.
		Moves to consider: Plan with purpose: For charitably minded individuals, a plan to support charities through your estate is an effective and easy way to fulfill your charitable legacy, whether you have a taxable estate or not.

Higher SALT (State and local tax) deduction cap (with limits)	The OBBBA raises the state and local tax (SALT) deduction cap for itemizers to \$40,000 in 2025, up from \$10,000 in 2024, with a 1% annual <i>increase through 2029</i>. However, income limits apply, and the deduction will phase out for households with modified AGIs above \$500,000 (\$250,000 for married individuals filing separately). In addition, the deduction will revert to a \$10,000 cap in 2030.	What it means for you: If your income is below \$500,000, the higher cap may help you increase your itemized deductions and potentially boost the value of your charitable deductions.
		Moves to consider: Leverage the cap: Use the expanded deduction to unlock additional tax savings. If you're charitably inclined, talk with your financial and tax advisors to see if charitable donations could help increase your deductions.

Additional Insight for Senior Donors

1. Starting in 2025, taxpayers aged 65+ are eligible for an additional \$6,000 standard deduction (through 2028), on top of the existing \$2,000 (single) or \$1,600 per spouse (joint) deduction. This raises total deductions to \$23,750 (single) or \$46,700 (joint, both 65+)
2. Individuals who are 70½ or older can reduce their taxable income by making qualified charitable distributions (QCD) from their IRAs
 - a. In 2025, taxpayers can make QCDs of up to \$108,000 from their IRAs to charity. The limit rises to \$115,000 in 2026.
 - b. If you're 73 or older, a QCD will also count toward your Required Minimum Distribution.
 - c. QCDs bypass the new AGI floor and deduction cap, reducing taxable income.

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What You Can Do Next

With the OBBBA in place, now is the time to optimize your giving strategy for the year-end of 2025 and beyond.

- **Review** your overall financial plan and see how charitable giving fits into it.
- **Talk** to your financial and tax advisors about how these changes affect you.
- **Explore** the tax-smart giving strategies outlined above

Information taken from <https://www.dafgiving360.org/> and supplemented with information from <https://www.freewill.com/learn/one-big-beautiful-bill-act>)

Other Resources:

IRS Documents: <https://www.irs.gov/newsroom/one-big-beautiful-bill-provisions>

General End-of-Year Giving: <https://www.youtube.com/watch?v=1H0U8z2LRsY>