



OBBBA Heralds Significant Changes for Charitable Giving in the New Year

Starting January 1, 2026, new rules for charitable giving will kick in under the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025. These changes affect both itemizers and those who take the standard deduction, so no matter how you give, it's worth knowing what's ahead. Whether you make regular contributions or prefer big, one-time gifts, understanding these updates can help you make the most of your generosity while keeping an eye on potential tax benefits.

Above-the-line deduction for taxpayers who don't itemize

Beginning in 2026, taxpayers who take the standard deduction can claim a new above-the-line deduction for cash contributions to qualified charitable organizations. Here's what taxpayers need to know about the new deduction:¹

- The deduction is capped at \$1,000 for single filers and \$2,000 for married couples filing jointly.
- Donations to donor-advised funds (DAFs), private foundations, and supporting organizations do not qualify.
- The deduction applies to cash contributions only and does not apply to non-cash donations, such as clothing or furniture.

The standard deduction for 2026 (for tax returns due in 2027) is \$16,100 for single filers and married people filing separately, \$24,150 for heads of household, and \$32,200 for married couples filing jointly and surviving spouses. Above-the-line deductions are adjustments to your taxable income that are subtracted before adjusted gross income (AGI) is calculated. Common above-the-line deductions include traditional retirement plan contributions, student loan interest, alimony, and certain deductions related to self-employment.²

New floor on deductions for taxpayers who itemize

The OBBBA introduced a new limitation on the deduction of itemized charitable contributions for individuals. Beginning in 2026, taxpayers who itemize can only deduct the amount of their total charitable contributions that exceed 0.5% of their adjusted gross income. For example, if a taxpayer with an AGI of \$200,000 makes \$10,000 in charitable donations for the year, the first \$1,000 ($\$200,000 \times 0.5\%$) of annual charitable donations would not be deductible. However, the remaining \$9,000 would be deductible. Separately, the OBBBA introduced a 1% floor on the deduction for charitable contributions made by corporations.³

Deduction value capped for high income earners

Starting in 2026, the new legislation also caps the tax benefits of itemized charitable deductions. Taxpayers in the 37% federal income tax bracket will see the value of their charitable deduction benefits capped at 35%. This means that donors will receive a 35-cent tax reduction for every dollar donated, instead of the current 37 cents for 2025. For example, beginning in 2026, a \$10,000 gift that would generate \$3,700 in tax savings in 2025, would be limited to \$3,500 under the new cap for taxpayers in the 37% tax bracket, beginning in 2026.⁴



FINANCIAL WATCH

60% AGI limit made permanent

The provision introduced under the Tax Cuts and Jobs Act of 2017 that allowed individuals to deduct cash contributions to public charities up to 60% of their AGI has been made permanent and the 50% limit for non-cash contributions has also been retained. These limits apply to public charities, including donor-advised funds (DAFs). Cash donations to private foundations remain capped at 30% of AGI.⁵

As you pursue your charitable giving and legacy planning goals in the new year, be sure to consult with your tax, legal, and financial professionals before implementing any strategy. Your professional advisors can help explain how recent tax law changes may affect your estate planning, charitable giving, and tax strategies.

To learn more about strategies to help pursue your charitable giving and legacy planning goals, contact the office to schedule a time to talk.

¹Orlando, Ally, "Adapting to Charitable Tax Changes: What Nonprofits Need to Know for 2026 and Beyond." 10 NOV 2025, Givingusa.org, <https://givingusa.org/adapting-to-charitable-tax-changes-what-nonprofits-need-to-know-for-2026-and-beyond/>.

²"IRS releases tax inflation adjustments for tax year 2026, including amendments from the One, Big, Beautiful Bill." 9 OCT 2025, IRS.gov, <https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>.

³Kraschel, Emily; York, Erica, "Changes to Charitable Giving Under the One Big Beautiful Bill Act." 10 NOV 2025, Taxfoundation.org, <https://taxfoundation.org/blog/charitable-deduction-big-beautiful-bill/>.

⁴Ibid.

⁵Ibid.

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