

Will Tax Law Changes Impact Your Giving Strategy?

You may donate money to charitable organizations throughout the year, simply because you wish to support causes that you care about. However, beginning in 2026, a new set of tax rules will determine the deductibility of your donations and might affect how much you can afford to give — for better or worse.

With the end of 2025 approaching, you may want to reconsider the timing and amount of any upcoming charitable donations. If philanthropy is one of your priorities, these new rules might also play a prominent role in your longer-term tax and estate planning.

Three big changes coming

In 2025, you can generally deduct charitable contributions (which reduces your taxable income) only if you itemize deductions on your federal income tax return. The deduction is limited to 60% of your adjusted gross income (AGI) for cash contributions to qualified public charities. The limit is 30% of AGI for non-cash gifts such as securities or property. Excess amounts can be carried over for up to five years.

These percentage deduction limits were extended permanently in the One Big Beautiful Bill Act, which was passed in July 2025. This legislation also included three new tax provisions pertaining to charitable deductions that will take effect for tax year 2026.

1. An above-the-line charitable deduction has been reinstated for taxpayers who claim the standard deduction. Single taxpayers can deduct up to \$1,000 in cash donations (\$2,000 for married joint filers) to qualified charities. Some types of donations are not eligible, such as those to donor-advised funds or private foundations.
2. For taxpayers who itemize, qualified charitable donations will only be deductible to the extent they exceed 0.5% of AGI. For example, a taxpayer with AGI of \$100,000 can deduct the amount of their qualified contributions minus \$500.
3. There is a new 35% cap on the tax benefit of itemized deductions, including charitable donations. This provision only affects taxpayers who land in the top 37% marginal tax bracket (single filers with annual incomes of \$626,350 and above in 2025 or \$751,600 and above for married joint filers).

Here are some strategies that may help enhance the tax efficiency and impact of your charitable contributions.

Bunching gifts and timing deductions

For higher-income donors who itemize deductions, a bunching strategy, which involves making larger gifts less frequently, could become more beneficial under the new rules. Moreover, those who are considering a significant philanthropic gift for next year may benefit from accelerating their donation to 2025 so they can claim a bigger deduction before the new floor and/or cap take effect.

Non-itemizers may want to hold off on making additional cash donations until 2026, when they could qualify for a tax deduction.

Going forward, you may want to increase your charitable giving in years when you expect higher annual income. For example, charitable deductions could help offset the tax liability resulting from a business sale, capital gains, stock options, or a Roth IRA conversion.

Utilize a donor-advised fund

Another way to bunch contributions or generate a large charitable deduction for the current year — possibly before you know where you want the money to go — is to open a charitable account called a donor-advised fund (DAF). Donors who itemize deductions on their federal income tax returns can write off DAF contributions in the year they are made, then gift funds later to the charities they want to support. DAF contributions are irrevocable, which means the donor gives the sponsor legal control while retaining advisory privileges with respect to the distribution of funds and the investment of assets.

Donate from an IRA

If you are an IRA owner who is 70½ or older, you can give to charity without itemizing and get a larger tax break through a qualified charitable distribution (QCD). A QCD must be an otherwise taxable distribution from an IRA (generally, distributions from traditional IRAs are subject to federal income tax). QCDs are excluded from income and won't affect your tax obligation. Moreover, a QCD can satisfy all or part of your required minimum distribution.

To make a QCD, you would direct your IRA trustee to issue a check made out to a qualified public charity. For tax year 2025, you may contribute up to \$108,000 from your IRA, and the limit will rise to \$115,000 in 2026. (If you're married, each of you can donate from your own IRA up to the individual limit.) Also, you can direct up to half of the QCD limit (\$54,000 in 2025) to make a one-time donation to a charitable remainder trust or a charitable gift annuity.