

Changes in Charitable Contribution Tax Laws

OBBBA has three new tax provisions that could significantly influence decisions on charitable giving strategies.

Universal Charitable Contribution (above the line charitable deduction for standard deduction taxpayers)

Beginning in 2026 tax year, a deduction allows non-itemizers to deduct cash donations to charity – up to \$1,000 for single filers or \$2,000 for married filing jointly. This provision is not planned to be indexed for future inflation.

Donations to Donor Advised Funds and private non-operating foundations are ineligible for this charitable contribution deduction.

Itemized Deductions Limited for top tax bracket taxpayers

The new laws cap the tax benefits of itemized charitable deductions at 35%, even for those in the 37% marginal tax bracket for the 2026 tax year. These high-income taxpayers would receive a \$350 tax benefit instead of a \$370 tax benefit for a \$1000 donation.

Floor for Charitable Contributions Deduction (Individuals and C-Corporations)

Effective in the 2026 tax year, itemizers who make charitable contributions will only be able to claim a deduction to the extent that their qualified contributions exceed 0.5% of their adjusted gross income (AGI). For example, a couple with an AGI of \$200,000 could only deduct charitable contributions in excess of \$1,000.

Similarly, corporations will only be entitled to deduct charitable contributions to qualified charities that exceed 1% of their taxable income. (Corporations continue to have the 10% of taxable income limit on charitable contributions.)

Extensions of the 2017 Tax Cuts and Jobs Act

Several provisions from the TCJA were made permanent or extended under OBBBA, continuing to influence charitable giving strategies and tax planning.

Income tax brackets

Under the new law, the current income tax brackets have been made permanent. Effective in the 2025 tax year, income tax brackets are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

New standard deduction amounts

Beginning with the 2025 tax year, the standard deduction, which was raised by the TCJA, increases further by \$1,000 for single filers and \$2,000 for married couples filing jointly. This brings the deduction to \$15,750 for single filers and \$31,500 for joint filers, with future amounts indexed for inflation.

Adjusted gross income limits

The new law permanently extends the existing ability to deduct up to 60% of AGI for cash contributions to 501(c)(3) public charities.

Estate and gift tax exemption

The federal estate and gift tax exemption has been increased to \$15 million (per individual) for the 2026 tax year, with future adjustments for inflation. This means the majority of estates (more than 99%) will not be subject to federal estate taxes, making lifetime charitable giving the primary way to receive a charitable deduction for most taxpayers.