Understanding the One Big Beautiful Bill Act and Your Donations

You are no doubt aware the One Big Beautiful Bill Act is now law, bringing significant charitable giving tax changes. Like most tax bills, there is some good news and some bad news, depending on individual circumstances. I will make a few comments regarding individual taxpayers and their charitable considerations to encourage those reading to consult their tax advisor for planning in this area. Please scrutinize how the various provisions affect individual tax returns. General information should be viewed as simply a guide and motivation to find out more before making a final decision regarding charitable giving. Tax considerations are simply one element of the decision to give but can help make a gift more impactful.

What’s New for Charitable Givers?

Most taxpayers today take advantage of the standard deduction versus itemizing their deductions. That deduction has increased from $29,000 to $31,500 for those filing a joint return. Also, if over age 65 there maybe addition deductions, based on income. Single taxpayers will receive an increase in their standard deduction as well. The helpful change is that an additional deduction is available ($2000 if married and $1000 if single), even if the taxpayer itemizes. This provision takes effect in 2026. These changes in charitable giving tax options do not apply if made to a donor advised fund or a private foundation. That’s the good news.

Itemized Deductions Affected by New Limits and SALT Increase

Now for the bad news. Starting next year, there is a 0.5 percent adjusted gross income limit on charitable contributions for itemizers. For example, at $100,000 AGI, $500 of any charitable contribution would not be disallowed. Under certain circumstances, the disallowed portion may be carried forward and used in future years. And this rule varies with the type of charity and the type of property given.

The new law increases the state and local tax (SALT) deduction from $10,000 to $40,000 starting this year. This may allow more taxpayers to itemize and in turn allow for more charitable deductions. The benefit phases out at adjusted gross incomes over $500,000. And due to charitable giving tax changes, there is a new 35% limit on itemized deductions for those in the highest marginal tax bracket, 37%.

Strategic Charitable Giving: Planning for This Year and Beyond

The tax bill has many more provisions in it, and I have simply presented a few that concern donors as they think about planning their charitable contributions. It may well be that this year is the best time for most of us to give. Have your tax preparer plan out the next 3 years to determine the optimal strategy for your specific situation. As always, tax benefits can help with decisions related to charitable giving and tax changes, but the needs of the charity should be the primary consideration.

Pat Renn (he/him) is the founder and president of The Renn Wealth Management Group and has more than 35 years of experience in the financial services industry. He is a member at the Cathedral of St. Philip where he has previously served as junior warden and endowment chair; he has also served as board member and endowment chair of Holy Innocents' Episcopal School. Learn more about the ECF Board of Directors

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