

# Charitable Giving Changes under the One Big Beautiful Bill Act (OBBBA)

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The recently passed One Big Beautiful Bill Act (OBBBA) introduces major changes to the tax treatment of charitable contributions. Starting in 2026, a new 0.5%-of-Adjusted Gross Income (AGI) floor will apply to most charitable deductions, creating important timing and planning opportunities for donors. New opportunities are also available for those who do not itemize deductions.

### **A New Floor on Charitable Deductions: 0.5% of Adjusted Gross Income (AGI)**

Historically, charitable contributions have been subject to AGI-based ceilings, but never a floor. Under OBBBA, starting in 2026, only the portion of your charitable contributions that exceeds 0.5% of your AGI will be deductible. AGI is defined as your total income from all sources minus certain adjustments<sup>[1]</sup>. This is line 11 on the 1040 tax return. This floor applies before the existing AGI percentage limits, which remain unchanged:

- Cash contributions to public charities: deductible up to 60% of AGI
- Non-cash contributions:
  - 50% of AGI using cost basis
  - 30% of AGI using fair market value
- Gifts to private foundations and certain other entities:
  - 30% of AGI for cash
  - 20% of AGI for non-cash

Any unused deduction due to either the floor or ceiling can still be carried forward for up to five years. However, the 0.5% floor only carries forward if the gift itself exceeds the upper AGI limit and generates a carryforward.

### **Ordering Rules: Which Gifts Get Hit First?**

If your charitable gifts fall within the 0.5% AGI floor, OBBBA imposes an ordering rule—reducing deductions in this order:

1. Capital gain property to non-public charities
2. Capital gain property to public charities (using fair market value)
3. Cash gifts to non-public charities
4. Qualified conservation contributions
5. Capital gain property to public charities (using cost basis)
6. Cash gifts to public charities

This hierarchy is critical for planning as the least tax-efficient gifts are reduced first, reinforcing the importance of thoughtful contribution types and timing.

### **2025: A Strategic Window for Large Gifts**

For individuals planning meaningful charitable gifts, 2025 presents a unique opportunity to make contributions before the 0.50% floor kicks in on January 1, 2026.

In some cases, it may even be advantageous to give more than the current AGI limit in 2025. While this creates a carryforward, it ensures the related deduction escapes the 0.5% floor—potentially preserving more deductibility in future years.

### **An Opportunity for Non-Itemizers**

Historically, only itemizers could deduct charitable gifts. But starting in 2026, Section 70424 of OBBBA revives and expands a deduction for non-itemizers:

- \$1,000 for single filers
- \$2,000 for joint filers

This deduction is in addition to the standard deduction and not subject to the 0.5% AGI floor. This change offers modest but meaningful incentive for charitable giving among taxpayers who don't itemize. However, it applies only to:

- Cash contributions (no stock, real estate, or other non-cash assets)
- Qualified public charities, excluding donor-advised funds and supporting organizations

### **New Tax Credit for K–12 State Scholarships (Starting 2027)**

Beginning in 2027, Section 70411 establishes a new tax credit of up to \$1,700 for contributions to charitable organizations funding K–12 state scholarships. This provision could appeal to families passionate about educational causes, especially those already supporting scholarship programs. This program is subject to state participation; be sure to consult with your tax advisor to ensure the tax credit is available your state.

### **Conclusion**

If you are charitably inclined, review your giving strategy with your wealth consultant and tax advisor to determine the appropriate timing and vehicles to accomplish your goals. Accelerating contributions in 2025 before the 0.50% of AGI floor takes effect could help you receive a large deduction and a meaningful tax loss carryforward.

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[1] <https://www.irs.gov/filing/adjusted-gross-income>

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