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## FEDERAL TAX LAW CHANGES: IMPACT OF THE OBBBA ON CHARITABLE GIVING

The One Big Beautiful Bill Act (OBBA) signed in July 2025 includes the most significant charitable tax reform in decades. Beginning in 2026, there will be unprecedented opportunities for non-itemizing individuals and households along with shifts for itemizers and corporations.

This guide summarizes and explains upcoming changes and provides strategies that may help donors in making decisions. This guide is for educational purposes only. Donors should consult a qualified tax professional to determine how changes may affect each of them individually.

### KEY TAKEAWAYS

#### Higher Standard Deduction and Estate Tax Exemption Made Permanent

- The increased standard deduction will be permanent and will be indexed annually for inflation.

Status	2025	2026
Single, or Married Filing Separately	\$15,750	\$16,100
Married Filing Jointly & Surviving Spouses	\$31,500	\$32,200
Head of Household	\$23,625	\$24,150

- Taxpayers who are 65 or older can take an additional standard deduction, which is also adjusted for inflation. For tax year 2026, that amount is \$2,050 for single taxpayers and \$1,650 for married taxpayers or surviving spouses.
- The estate tax exemption will be permanently doubled to \$15 million per person (\$30 million per couple).

#### New Above-the-Line Deduction

- Beginning in 2026, non-itemizers will be able to claim a deduction for cash donations, up to \$1,000 (individual) or \$2,000 (joint).
- This provision is permanent but not indexed for inflation.
- It will reach 90% of taxpayers who don't itemize.
- Gifts to Donor Advised Funds or supporting organizations do not qualify.

#### New Constraints for Itemizers

- Beginning in 2026, itemizers will face a new 0.5% Adjusted Gross Income (AGI) floor for itemized charitable deductions.
- The cap for all itemized deductions will decrease from 37% to 35%.

#### New Constraints for Corporations

- Beginning in 2026, there will be a new 1% AGI floor for corporate charitable deductions.
- The maximum deduction remains capped at 10% of taxable income and unused deductions may be carried forward for five years.

## KEY STRATEGIES

### Non-Itemizers

- For 2026 and subsequent years, include language in appeals such as, "Your gift could be tax-deductible, even if you don't itemize."
- Test messages to monthly givers highlighting the new deduction.
- Update donor communications to reflect extended tax benefits.
- Remember that this affects 9 out of 10 taxpayers.

### Itemizers

- Talk to your major donors! Your mission is always the primary motivator. However, smart tax giving that aligns with donors' philanthropic goals and financial planning is a win-win.
- It may be advantageous for donors to:
  - Make additional gifts before December 31, 2025
  - Accelerate pledge payments
  - Establish or add to a Donor Advised Fund (DAF)
  - Bunch giving by consolidating multiple future years of donations in a single tax year, via a DAF or direct payments to nonprofits

### Corporations

- Like itemizing individuals, corporations may bunch larger gifts to exceed the 1% AGI floor. Consider structuring multi-year pledges.
- Suggest that it may be advantageous to fulfill pledges before December 31, 2025.
- Be prepared for a potential drop in corporate giving, particularly among small to mid-sized businesses. Ernst & Young estimates this may reduce corporate giving by \$4-5 billion per year.
- Talk to corporate donors now to help strengthen relationships and plan.

### Qualified Charitable Distributions

- Giving directly from an IRA through a Qualified Charitable Distribution (QCD) will become more valuable for seniors than ever.
- QCDs can satisfy all or part of a Required Minimum Distribution for those 73+.
- QCDs are not part of an individual's AGI and therefore bypass the 0.5% floor and the 35% cap for itemizers.
- Current QCD parameters:
  - Minimum age requirement: 70 ½
  - Transfer directly from IRA to a 501(c)(3) charitable organization
    - Cannot be transferred to a DAF or supporting organization
  - May not be used for items where personal benefit is received (e.g., gala table, athletics tickets)
  - Maximum transfer for the year (total to all charities)
    - \$108,000 per individual for 2025
    - \$115,000 per individual for 2026
  - One-time lifetime transfer of up to \$54,000 may be made to a Charitable Gift Annuity

### Outcomes

- Track grassroots donor retention and reactivation rates as well as corporate giving above the 1% floor in 2026.

### BOTTOM LINE

The OBBBA expands charitable participation, a significant policy win for the entire nonprofit sector.

It also adds new constraints and complexities.

Nonprofits themselves are one of the best, most trusted sources of information when it comes to charitable giving decision-making.

Maintaining donor confidence is, therefore, key during this transition period.



## ABOUT THE AUTHOR

**Lizz Helmsen, MAT, CFRE** Managing Director at Carter

Lizz Helmsen combines more than 25 years of fundraising and nonprofit management experience with a background in the arts, education, and community service. She is known as a creative and energetic professional with a proven ability to build relationships with, and create connections among, multiple constituencies.

Lizz is a Certified Fund Raising Executive (CFRE) and holds a certificate in governance consulting from BoardSource.

She provides expertise in the areas of campaign counsel, major gifts, development planning, governance practices, board development, organizational culture, annual giving, and strategic communications. She is also a frequent speaker

for groups such as the Association of Fundraising Professionals, the Bayer Center for Nonprofit Management at Robert Morris University, and the Colorado Planned Giving Roundtable.

[Read Lizz's full bio.](#)

*Looking for more advice? The Carter team is here to help. We will always make ourselves available as a resource to you as you advance your mission and philanthropy.*

*If you don't already have a preferred contact at Carter, you can email [info@carter.global](mailto:info@carter.global), and we'll put you in touch with a senior-level consultant specific to your needs.*

## ABOUT CARTER

Co-founded by Bob Carter and Steve Higgins in 2011, Carter gathered a select team of the nation's most respected nonprofit professionals working to advance philanthropy worldwide in the areas of fundraising, governance and organizational planning. Each Carter consultant brings decades of executive-level development experience to serve as an extension of your team and help you maximize your organization's potential and better serve your cause. For more information, visit [www.carter.global](http://www.carter.global).

**We believe in the power of philanthropy to change the world.**

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