

CHARITABLE GIFTING

OCTOBER 2025



PLANNING FOR YEAR END CHARITABLE GIFTING

At this time of the year, many people are thinking about year-end charitable giving. The One Big Beautiful Bill Act (OBBBA) was signed into law in 2025, and while some of the provisions are effective for 2025 tax returns the majority take effect in 2026. Let's look at how this may impact year-end giving.

In 2025, taxpayers must itemize deductions in order to receive a tax benefit for charitable contribution deductions. Itemized deductions include:

- Medical expenses greater than 7.5% of your Adjusted Gross Income (AGI)
- State and local taxes (subject to limitations)
- Mortgage interest
- Charitable contributions

The IRS gives tax filers a standard deduction as an alternative. Tax filers can take the higher of their actual itemized deductions or the IRS standard deduction. For 2025, the standard deduction is \$15,750 for single filers and \$31,500 for married filing joint filers. The impact of the high standard deduction is that only about 10% of tax filers use their actual itemized deductions.

One of the impacts of the OBBBA for 2025 is that it raises the amount of state and local taxes (SALT deduction) that can be included in itemized deductions. Prior to 2025, SALT expenses were limited to \$10,000, but effective in 2025 the limit has been increased to \$40,000 for tax filers with Modified Adjusted Gross Income (MAGI) under \$500,000. There is a phase out, back to \$10,000, for tax filers with MAGI over \$600,000. This may increase the number of tax filers who are able to itemize and therefore subject a greater amount of their charitable contributions to deduction.

The OBBBA made permanent the provision that cash gifts to public charities are deductible up to 60% of a tax filer's AGI.

The OBBBA also created an incentive for taxpayers who do not itemize to contribute to charity. Starting in 2026, tax filers who do not itemize their deductions will be allowed a charitable deduction of \$1,000 for single filers and \$2,000 for married filing joint filers in addition to the standard deduction. These contributions must be made in cash (cannot be appreciated securities) and must be to a public charity (not a Private Foundation or Donor Advised Fund).

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Starting in 2026, the OBBBA instituted a .5% of AGI floor for charitable deductions. Thus, the dollar amount of 0.5% of AGI will offset your charitable deductions. For example, a taxpayer with AGI of \$200,000 will lose the first \$1,000 of their charitable deduction and only the amount in excess of \$1,000 will be included in their itemized deductions.

The same applies for corporations. Effective in 2026, corporations can only deduct charitable contributions in excess of 1% of their taxable income before the contribution deduction.

We continue to encourage the use of Donor Advised Funds (DAF) as a way to gift appreciated securities to get the double benefit of avoiding the long-term capital gain tax on the security plus getting a charitable deduction for the security's fair market value. These contributions of long-term appreciated securities to a DAF are deductible up to 30% of a tax filer's AGI. Since the deduction is at the time the DAF is funded, it may create planning opportunities to contribute securities in a different year than the funds are actually distributed to the end charity.

There is another planning opportunity for taxpayers over the age of 70.5 who use their IRA for charity. If a taxpayer sends money directly from their IRA to a charity, they can use the Qualified Charitable Deduction (QCD) to avoid including the amount in their taxable income while also forgoing the inclusion in their charitable deductions if they itemize. This is particularly beneficial for taxpayers who must take their Required Minimum Distribution (RMD) yet do not need the funds for their lifestyle. For 2025, the maximum amount of QCD is \$108,000.

At JVL Wealth Strategies we applaud charitable giving and are here to help you make the best tax advantaged decisions as you support the causes close to you. Please feel free to reach out and we can coordinate with your personal tax advisor to ensure you are making the best financial decisions for your circumstances.

REFERENCES & DISCLOSURES

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