Why Donors May Want to Give Before the End of 2025

Community Foundation of Northeast Georgia

The **One Big Beautiful Bill Act**, passed in mid-2025, introduces new charitable giving rules beginning in **2026**. These changes may reduce the tax benefits of charitable contributions, making **2025 an especially good year to give** or fulfill existing pledges.

1. Who Can Still Itemize in 2026?

· You'll only itemize if your total deductions (mortgage interest, state/local taxes, charitable gifts, etc.) **exceed the standard deduction**.

2026 standard deductions:

o **$15,750** for single filers

o **$31,500** for married couples filing jointly (adjusted annually for inflation)

· If you don't itemize, you can still deduct **cash donations** up to:

o **$1,000** (single) or **$2,000** (married) — *to public charities only (not donor-advised funds)*

2. New Floors and Limits on Charitable Deductions (Starting 2026)

a. The "Floor" Rule

· You can only claim charitable deductions that **exceed 0.5% of your Adjusted Gross Income (AGI)**.

· The higher your income, the higher your floor.

Examples:

· **Example 1:** AGI = $1,000,000 → Floor = $5,000

o $100,000 gift → Only $95,000 is deductible

· **Example 2:** AGI = $10,000,000 → Floor = $50,000

o $100,000 gift → Only $50,000 is deductible

b. The "Limit" Rule

· The **tax benefit** of all itemized deductions is capped at **35%** (instead of your top tax rate).

· This means for high-income taxpayers (37% bracket), each $1 deducted now saves only **35¢** instead of **37¢**.

Example:

· **2025 (current rules):**

o $100,000 gift × 37% = **$37,000** tax benefit

· **2026 (new rules):**

o $100,000 gift – $5,000 floor = $95,000 × 35% = **$33,250** tax benefit

3. Qualified Charitable Distributions (QCDs) Become More Powerful

· QCDs (direct gifts from Traditional or Inherited IRAs) **avoid income recognition** and thus aren't affected by the new floor or limit rules.

· In 2025, individuals can transfer up to **$108,000** directly from an IRA to a qualified **public charity**.

· The QCD limit will continue to **adjust with inflation**.

Key Takeaway

Because of these upcoming limits and floors, **donors may receive greater tax advantages by completing or accelerating charitable gifts before the end of 2025**.