

Charitable Giving After the One Big Beautiful Bill Act

New rules for 2026 and smart strategies to give efficiently • Not legal or tax advice — consult your FBB advisor, attorney, and/or CPA

What Changed: Key OBBBA Provisions (Effective Tax Year 2026)

Provision	What It Means
0.5% AGI floor (itemizers)	Only aggregate giving above 0.5% of AGI (technically the “contribution base” — AGI without regard to NOL carrybacks) is deductible (new IRC §170(b)(1)(I)). Example: \$250,000 AGI → the first \$1,250 of gifts is non-deductible. The floor applies to cash and non-cash gifts combined and, by statute, is absorbed by appreciated-property gifts before cash gifts — an ordering that works in the donor’s favor, because it spends the floor against the lowest-ceiling deduction capacity first. Amounts lost to the floor generally cannot be carried forward unless you also exceed an AGI ceiling. The floor does not apply to the non-itemizer deduction below.
35% cap on deduction value (top bracket)	Rewritten IRC §68 reduces all itemized deductions — not just charitable — by 2/37 (5.4%) of the lesser of (a) total itemized deductions or (b) taxable income increased by those itemized deductions, to the extent it exceeds the 37% bracket threshold (\$640,600 single / \$768,700 joint for 2026). The practical effect is roughly 35¢ of benefit per dollar deducted instead of 37¢. Because itemized deductions are added back before the comparison, the limitation can reach a filer whose taxable income after deductions falls in a lower bracket.
New \$1,000 / \$2,000 deduction for non-itemizers	Standard-deduction filers can deduct up to \$1,000 (single) / \$2,000 (joint) of cash gifts made directly to qualified public charities (IRC §170(p)). Permanent, but not indexed for inflation, and unused amounts do not carry forward. Does NOT apply to DAFs, supporting organizations, private non-operating foundations, or non-cash gifts — and is unavailable if you itemize.
60% of AGI cash limit — made permanent	Cash gifts to public charities (including DAF sponsors) remain deductible up to 60% of AGI (up from a historical 50%). The 60% figure is an overall ceiling on public-charity giving, reduced by contributions already counted toward the 50%/30% limits — not a separate bucket stacked on top of them, so a year with large appreciated-property gifts leaves less cash capacity. Excess carries forward 5 years. The 0.5% floor applies in addition to, and independently of, this ceiling.
30% of AGI limit on appreciated property	Gifts of long-term appreciated stock or property to public charities remain capped at 30% of AGI (unchanged), with a 5-year carryforward. The limit is 20% of AGI for appreciated property given to private non-operating foundations.
Corporate 1% floor	Corporations may deduct charitable giving only to the extent it exceeds 1% of taxable income, and still no more than 10%. Amounts below the 1% floor are permanently lost unless total giving also exceeds the 10% ceiling.
Estate/gift exemption	The basic exclusion amount is permanently set at \$15M per person / \$30M per couple beginning in 2026, indexed thereafter — relevant to bequests, charitable lead trusts, and other legacy planning.

Bottom line: high-income itemizers see a modestly smaller tax benefit per dollar donated beginning in 2026; non-itemizers gain a new, small deduction; and the case for giving appreciated assets, using QCDs where available, and planning the timing and size of gifts is stronger than before.

Strategies to Maximize & Streamline Giving Going Forward

1. Bunch Multiple Years of Giving Into One Year

- Because the 0.5% floor is applied year by year, concentrating two to five years of intended gifts into a single tax year means absorbing the floor once rather than several times — and it can push you over the itemizing threshold in “on” years while you take the standard deduction in “off” years.
- Run the math first: with the 2026 standard deduction at \$16,100 (single) / \$32,200 (joint), plus any age-65 or blindness additions (\$1,650 each, or \$2,050 if unmarried and not a surviving spouse), bunching only pays if your combined itemized deductions clear that hurdle in the “on” year — and the real hurdle also includes the \$1,000 / \$2,000 non-itemizer deduction you give up by itemizing.

2. Donor-Advised Funds (DAFs)

- Contribute a lump sum now (cash or appreciated stock), take the deduction immediately subject to the 60% cash and 30% appreciated-property AGI limits (with 60% as the combined ceiling), then recommend grants to charities over many future years — the classic bunching vehicle.
- Also useful to smooth a high-income year (bonus, business sale, stock vesting) into an itemized deduction, even if grants go out later.
- Two limits worth remembering: DAF contributions do not qualify for the new non-itemizer deduction, and a DAF cannot receive a QCD.
- Trade-offs to weigh: a contribution to a DAF is irrevocable, grants are advisory recommendations rather than binding instructions, and sponsors charge ongoing administrative and investment fees that reduce the amount ultimately reaching charity.

3. Gifts of Appreciated, Long-Term Stock or Property

- Donate securities held over one year directly instead of cash: deduct full fair market value AND avoid paying capital gains tax on the appreciation — a double benefit that remains fully intact under OBBBA.
- Generally more efficient than selling stock and donating the proceeds, especially for concentrated or highly appreciated positions.
- Sequencing note: the 0.5% floor reduces appreciated-property gifts before cash gifts, so in a year with both, the floor lands on the stock gift first. That statutory ordering is generally favorable, not punitive — it consumes the floor against your lowest-ceiling capacity and preserves the more valuable cash deduction. The underlying advantage — full fair market value plus no capital gains tax — is unchanged.

4. Qualified Charitable Distributions (QCDs) — Age 70½+

- Direct up to \$111,000 (2026, indexed) per person per year from an IRA straight to a qualifying public charity. The QCD is excluded from income rather than deducted, so it sidesteps the 0.5% floor, the §68 haircut, the SALT phase-out, and Medicare IRMAA thresholds.
- Counts toward Required Minimum Distributions once they begin — age 73, or 75 for those born in 1960 or later — and can shrink future RMDs if started before distributions are required.

- No double-dipping: a QCD generates no charitable deduction. DAFs, private foundations, and supporting organizations are not eligible recipients, though a once-per-lifetime election permits up to \$55,000 (2026) to fund a CRT or charitable gift annuity — an amount that counts within, not on top of, the \$111,000 annual cap.

5. Charitable Remainder Trusts (CRTs) — including CRUTs & CRATs

- A Charitable Remainder Unitrust (CRUT) or Annuity Trust (CRAT) lets you contribute appreciated assets, receive an income stream for life or a term of up to 20 years, take an immediate partial charitable deduction, and spread capital gains recognition — with the remainder passing to charity. The charitable remainder must be worth at least 10% of the amount contributed.
- Best suited to larger, concentrated, low-basis positions (appreciated stock or a business interest, for example) where lifetime income plus a future charitable legacy is the goal. The upfront deduction is still subject to the 0.5% floor and the §68 limitation. Weigh the costs as well: a CRT requires drafting, a trustee, annual tax filings, and ongoing administration, and the transfer of assets into the trust is irrevocable.

6. Charitable Lead Trusts (CLTs)

- The inverse of a CRT: charity receives an income stream first for a term of years, then the remainder passes to heirs — useful for shifting future appreciation out of the estate at a low transfer-tax cost while giving now.
- Structure matters: a non-grantor CLT gives the trust, not you, the income tax deduction. Only a grantor CLT produces an upfront personal deduction, and it taxes the trust's income back to you each year.

7. Time Large Gifts to High-Income Years

- A liquidity event, large bonus, or Roth conversion is a natural year for a larger gift (cash, stock, or a DAF contribution) to offset the income spike. Even in the top bracket, the §68 haircut leaves at least 94.6% of the deduction intact, so a well-timed gift still does most of its work.

8. Don't Overlook the New Non-Itemizer Deduction

- If you take the standard deduction, direct cash gifts (not DAFs) of up to \$1,000 / \$2,000 are deductible on top of the standard deduction. Keep bank records and written acknowledgments, and claim it — it is only available to filers who do not itemize.

9. Keep the Substantiation Airtight

- The documentation rules did not loosen. Any gift of \$250 or more needs a contemporaneous written acknowledgment from the charity, non-cash gifts above \$500 require Form 8283, and non-cash gifts above \$5,000 (other than publicly traded securities) require a qualified appraisal. Missing paperwork disallows the deduction no matter how worthy the gift.

10. Watch for the New Federal Scholarship Tax Credit (2027)

- Beginning January 1, 2027, new IRC §25F allows a nonrefundable federal credit of up to \$1,700 per taxpayer for cash contributions to approved Scholarship Granting Organizations (SGOs) that fund K-12 scholarships. A dollar-for-dollar credit is worth more than any deduction described above.

- Conditions matter: your state must elect to participate and certify its list of SGOs; the federal credit is reduced by any state credit claimed for the same gift; a contribution claimed under §25F cannot also be deducted under §170; and unused credit carries forward five years. The amount available to joint filers is not yet settled pending IRS guidance.

11. Check How Your State Treats the Gift

- These are federal rules. States differ on whether they conform to the new floor and the §68 limitation, and some allow a charitable benefit to non-itemizers, so the true after-tax cost of a gift can vary by state of residence. For Maryland filers, itemized deductions start from the federal amount less state and local income taxes, so both the new floor and the §68 reduction generally flow through to the Maryland return; confirm current treatment before relying on it.

Prepared by FBB Capital Partners for general educational purposes and current as of September 2026. Reflects the One Big Beautiful Bill Act (Pub. L. 119-21) as enacted and IRS inflation adjustments in Rev. Proc. 2025-32; IRS guidance on several provisions, including the treatment of pre-2026 charitable carryovers under the new 0.5% floor, remains outstanding. Dollar thresholds are indexed annually and individual circumstances vary. This material is not intended as tax or legal advice — please consult your FBB advisor and a qualified tax or estate planning attorney before implementing any strategy.

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