

One Big Beautiful Bill: Charitable Giving Implications

The One Big Beautiful Bill Act (OBBB), signed into law on July 4, 2025, addressed various priorities of the Trump Administration's agenda, including extensions and additions to the federal tax code. Here are some key provisions of the OBBB related to charitable giving.

Averting Tax Increases

The following OBBB provisions averted tax increases set to be reinstated in 2026, helping Americans avoid a loss in disposable income. These provisions were made permanent, eliminating uncertainty and stabilizing tax planning.

Income Tax Brackets – Extended (Permanent)

The OBBB retained the 10%, 12%, 22%, 24%, 32%, 35%, and 37% tax brackets, avoiding the scheduled increase for 2026. For 2025, the top bracket of 37% applies to single filers with an income of \$626,351 and higher, and joint filers with an income above \$751,600.

Standard Deduction – Increased (Permanent)

The OBBB avoided the anticipated 2026 decrease in standard deduction and increased it from the 2017 tax law. For 2025, the new standard deduction is \$15,750 (single) and \$31,500 (joint).

Estate and Gift Tax Exemption – Increased (Permanent)

The federal estate tax exemption amount was increased from \$13.99 million (individual) and \$27.98 million (married) in 2025 to \$15 million (individual) and \$30 million (married) in 2026, indexed for inflation. This prevented the reversion to pre-2018 levels of about \$7 million per individual. Now, 99.8% of Americans won't have federal estate tax liability.

Charitable Contribution Limit for Cash – Extended (Permanent)

In 2018, the limit for deducting cash gifts was increased from 50% to 60% of a donor's adjusted gross income. The OBBB makes this 60% limit permanent. Gifts of appreciated assets are still limited to 30% of a donor's adjusted gross income.

Giving Incentives

The following provisions may enable more people to receive tax benefits from charitable giving.

State and Local Tax Deduction – Increased (Temporary)

While not a charitable provision, it is welcome news for generous Christians who have itemized in the past. Beginning in 2025, the maximum state and local tax (SALT) deduction increased from \$10,000 to \$40,000. This increases the likelihood they will receive a tax benefit for their gifts. The deduction phases down to \$10,000 for filers with incomes greater than \$600,000. The increase in the SALT deduction is temporary and applies to years 2025-2029. In 2030, the SALT deduction reverts to \$10,000.

Charitable Deduction for Non-Itemizers - New (Permanent)

Those who take the standard deduction can now deduct \$1,000 (single) or \$2,000 (joint) in charitable gifts. This deduction is only permitted for cash gifts made directly to charity.

Bonus Deduction for Seniors – New (Temporary)

To eliminate Social Security taxes for most seniors, the OBBB introduced an additional temporary deduction for those age 65 and older (\$6,000 per individual; \$12,000 for qualified joint filers). This deduction is available for 2025-2028, whether taxpayers claim the standard deduction or itemize. It begins to phase out for single filers with an adjusted gross income over \$75,000 (single) or \$150,000 (joint). This presents additional planning opportunities for seniors to avoid tax through their giving.

Tax Credit for Scholarships – New (Permanent)

The OBBB created a new tax credit for up to \$1,700 for cash contributions made to scholarship-granting non-profits. This provision is effective in 2027 and permits each state to elect whether to participate. This may be an opportunity for increased scholarship funding for Christian schools, but its restrictions and delayed effective date make it difficult to predict how significant the impact will be.

Potential Giving Disincentives

Two provisions have possible negative ramifications for charitable giving that can be reduced through careful planning.

Limitation on Itemized Deductions for High-Income Earners – New (Permanent)

For donors in the 37% tax bracket (\$626,350 individual, \$751,600 joint in 2025), the charitable deduction will be reduced from 37% to 35%. This applies to less than 1% of taxpayers and is effective beginning in 2026. Donors in this bracket might consider accelerating their giving in 2025 to receive the full benefit of the current deduction.

0.5% Charitable Deduction Floor – New (Permanent)

Beginning in 2026, only charitable gifts in excess of 0.5% of the donor's "contribution base" will be deductible. The computation of "contribution base" is similar to adjusted gross income. This provision does not apply to taxpayers who take the standard deduction and claim the \$1,000 or \$2,000 charitable deduction.

Key Takeaways

There are still strong tax incentives to encourage charitable giving.

1. Since the anticipated tax increases were averted, supporters will continue to have more disposable income available to give.
2. More supporters will be able to itemize their deductions because of the increased SALT deduction.
3. The bill's disincentives (limitation on itemized deductions and .05% charitable deduction floor) make giving options that reduce taxable income, such as IRA distributions and non-cash gifts, even more attractive to supporters.
4. Young potential donors who have never given before now have a tax incentive to do so.

For Further Information

How does the One Big Beautiful Bill affect your charitable giving? To learn more and discuss the giving options that best fit your goals and situation, contact Barnabas Foundation at 888.448.3040 or email info@BarnabasFoundation.org.