

REVISITING YEAR-END CHARITABLE GIVING STRATEGIES UNDER THE NEW TAX RULES

"2026 tax law changes won't change the why we give, but their impact on the how, when, and how much we give are worth understanding."

As we head into year-end and the gifting season, we are revisiting key changes to the 2026 tax law. The math is different enough that it deserves attention before year-end, and here we offer a primer on what changed, who it affects, and the strategies that may matter more as a result.

WHAT CHANGED IN 2026

The One Big Beautiful Bill Act (OBBBA) altered how charitable deductions are calculated. Four changes are worth understanding.

1. **A new floor:** Itemizers can deduct charitable gifts only to the extent they exceed 0.5% of adjusted gross income (AGI). The first slice of giving no longer produces a deduction.
2. **A permanent 60% ceiling:** The 60% of AGI limit for cash gifts to public charities is now permanent. Gifts of appreciated assets remain subject to the 30% of AGI limit.
3. **A cap on the value of itemized deductions:** For taxpayers in the 37% bracket, the benefit of itemized deductions, including charitable gifts, is limited to the equivalent of a 35% rate. A dollar of deduction is worth 35 cents rather than 37.
4. **A modest benefit for non-itemizers:** Taxpayers who take the standard deduction may deduct up to $1,000 of cash gifts ($2,000 for married couples filing jointly). This is a below-the-line deduction, so it lowers taxable income but not AGI, and gifts to donor advised funds do not qualify (OBBBA added a $6,000 deduction per person age 65+ for 2025 through 2028. It's available whether or not you itemize, so it doesn't change the itemize-vs-standard math).

The floor is calculated on AGI, so the amount of giving that goes undeducted rises with income. On its own, this is a modest amount. It matters because it applies every year in which you give.

Your AGI	Giving that is not deductible
$300,000	$1,500
$500,000	$2,500
$750,000	$3,750
$1 million	$5,000
$2 million	$10,000

WHY TIMING NOW MATTERS AS MUCH AS SIZE

Consider two donors, each with $400,000 of AGI, each giving $100,000 to the same charities over five years. The first gives $20,000 annually and forfeits the first $2,000 of deduction every year, or $10,000 in total. The second makes a single $100,000 gift, takes the standard deduction in the other four years, and forfeits $2,000 once. Same generosity, same charities, and an $8,000 difference in deductions.

The floor also creates a trap in years when income spikes. A business sale, a large exercise of options, or a sizable Roth conversion can push AGI to $2 million, raising the floor to $10,000. Giving a usual $25,000 in that year costs $10,000 of deduction instead of $2,000. Amounts disallowed by the floor may not be recoverable, since carryforward generally applies only if giving also exceeded an AGI ceiling. In a high-income year, the better choices are often to give meaningfully more than usual, or to wait. Carryovers from gifts made before January 1, 2026, are not subject to the new floor.

STRATEGIES THAT MAY BECOME MORE VALUABLE

Bunching: Concentrating several years of giving into one year clears the floor once and helps total deductions exceed the standard deduction. In off years, you simply take the standard deduction.

Donor advised funds: A DAF allows you to bunch contributions, take the deduction in the year you fund it, and recommend grants to charities over time. The contribution is irrevocable, but you retain the ability to guide where and when grants are made. Funding a DAF in a liquidity event year can also be useful because higher AGI raises the 60% ceiling.

Appreciated securities: Giving long-term appreciated shares rather than cash may allow a deduction for full fair market value while avoiding the capital gains tax a sale would trigger. Because the 30% limit applies, larger gifts may need to be spread over several years. Shares that have declined in value are generally better sold, with the loss harvested and the proceeds donated.

Qualified charitable distributions (QCDs): For those age 70 and a half or older, up to $111,000 per person in 2026 ($222,000 for spouses who each own an IRA) can move directly from an IRA to a qualified charity. A QCD counts toward the required minimum distribution (RMD) and never enters taxable income, so it avoids both the floor and the 35% cap. A lower AGI can also ease Medicare premium surcharges, the 3.8% net investment income tax, and the phasedown of the state and local tax deduction. Because QCD eligibility begins before RMDs do (at 73, or 75 for those born in 1960 or later), gifts made in the gap can reduce the IRA balance and future RMDs.

Naming a charity as IRA beneficiary: For giving at death, leaving a pre-tax IRA to charity can be highly efficient. A charity pays no income tax on the account, while most non-spouse heirs owe ordinary income tax and must empty an inherited IRA within 10 years. Directing other assets to heirs may leave more for everyone.

WHERE GIVING FITS IN THE BROADER PLAN

Charitable giving rarely stands alone. On the tax side, a gift or DAF contribution can be paired with a Roth conversion year to help offset the added income, although the 35% cap and a higher floor temper the benefit. On the investment side, gifting appreciated shares from a concentrated position can reduce single stock risk, avoid a taxable sale, and fund a charitable goal at once. On the estate side, a DAF can serve as a family giving account that involves the next generation, and for more complex situations, charitable trusts may be worth discussing with your estate planning attorney.

CAN YOU BENEFIT FROM A CLOSER LOOK?

The more of the following that apply, the greater the potential advantage of reviewing your giving strategy.

1. You expect to give meaningfully this year or in the coming years
2. Your income is high or may spike due to a liquidity event or Roth conversion
3. You hold highly appreciated or low-basis positions
4. You are age 70 and a half or older with an IRA
5. You want giving to be coordinated with your estate plan and family goals
6. You are near the line between itemizing and taking the standard deduction

On that last point, the higher state and local tax cap ($40,400 for 2026, phasing down above $505,000 of modified AGI but never below $10,000) may bring some households back to itemizing. The 2026 standard deduction for married couples filing jointly is $32,200, plus $1,650 per spouse age 65 or older. It is worth running the numbers rather than assuming last year's answer still holds.

OUR TAKEAWAY

As you consider your year-end plans, remember that the tax benefit has always been a companion to giving, never the reason for it. What the new rules reward is intentionality: a giving plan coordinated with your tax, investment, and estate planning can do more good, for the causes you care about and for your family, than scattered gifts made in late December. If you are charitably inclined, we recommend a giving review before December 31st. This overview highlights the major changes but is not exhaustive; how they apply depends on your full tax picture, which is worth reviewing with your tax professional.

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