

Five OBBBA Tax-Law Changes Most Likely to Impact Charitable Giving

A mix of new incentives and limitations may add urgency to your year-end donor strategies.



You're a regular charitable donor hoping for some tax breaks from Uncle Sam next year. But Congress passed a complicated new law that may have an impact on some of those potential benefits. You may be wondering:

- Should I itemize my donations, or settle for an increasingly generous standard deduction?
- Can I deduct my high property taxes and still be rewarded for donating to my favorite charities?
- Should I scour my attic for old clothes and claim a deduction for property donations this year, or should I wait?
- Will my donations be limited now that I'm in a higher tax bracket?

If you have similar questions about how the One Big Beautiful Bill (OBBBA) may impact you, consider reaching out to your financial or tax professional for guidance.

Overhauling the Previous Tax Overhaul

Many of OBBBA's provisions are designed to update or make permanent some of the rules enshrined in the 2017 Tax Cuts and Jobs Act (TCJA). Among other things, that law nearly doubled the standard deduction and reduced the incentive for many donors to itemize their contributions. The TCJA also capped the deduction for state and local taxes (SALT) at \$10,000 per return. Between 2017 and 2019, itemized charitable deductions dropped by some \$66 billion, according to the Giving USA Foundation and Indiana University.¹

The OBBBA's changes to the TCJA's provisions produced a mixture of expansions and limitations for charitable donors. Who benefits from the new provisions largely depends on a variety of factors: whether you itemize, whether you're a senior citizen, or whether you're in a higher income-tax bracket. The OBBBA has created five key areas that could impact your approach to charitable giving this year and beyond.

Charitable Giving: Expansions

1. Expanded SALT deduction: The SALT deduction ceiling quadruples from \$10,000 to \$40,000 for the 2025 tax year with a 1% annual cap increase—but only through the 2029 tax year, after which the \$10,000 cap returns (FIGURE 1). Until then, it's possible to itemize deductions for state and local taxes, mortgage deductions, cash and non-cash charitable gifts, and other allowable deductions in amounts that can potentially exceed even the enhanced standard deduction for some donors.

Caveat: For higher-income taxpayers earning between \$500,000 and \$600,000 in modified adjusted gross income (MAGI), the \$40,000 deduction limit is gradually phased out.* For those earning above \$600,000 in MAGI, the \$10,000 ceiling remains.

Key Points

- The One Big Beautiful Bill Act (OBBBA) expanded some existing charitable deductions, made some temporary provisions permanent, and added some newer restrictions that largely affect higher-income donors.
- The \$10,000 cap on state-and-local-tax deductions has been quadrupled to \$40,000—a move that could benefit those who itemize deductions.
- Other tax-efficient tools, such as qualified charitable distributions (QCDs) and donor-advised funds, remain central to effective charitable giving; some of the newer restrictions may create advantages for making donations in 2025 instead of 2026.

FIGURE 1
State and Local Tax (SALT) Deduction Limits Under OBBBA

Year	SALT Deduction Limit	MAGI Range for Deduction Phasedown*
2025	\$40,000	\$500,000 – \$600,000
2026	\$40,400	\$505,000 – \$606,333
2027	\$40,804	\$510,050 – \$612,730
2028	\$41,212	\$515,151 – \$619,191
2029	\$41,624	\$520,302 – \$625,716
2030 and later	\$10,000	N/A

* SALT cap reduced by 30% of excess above MAGI threshold. Source: Kitces.com, 11/25.

2. A modest sweetener for non-itemizers: For married non-itemizers, the standard deduction can now be combined with an enhanced \$2,000 deduction for cash contributions to 501(c)(3) charitable organizations. The standard deduction for married joint filers increases from \$29,200 to \$31,500 for the 2025 tax year (**FIGURE 2**). This benefit enables married joint filers to enlarge their pre-tax deduction from \$31,500 to \$33,500 for the 2025 tax year.

FIGURE 2
Standard Deductions Under OBBBA vs. TCJA

	2025 (TCJA)	2025 (OBBBA)	Standard + Charitable Deduction
Single	\$15,000	\$15,750	\$16,750 (standard + \$1,000)
Head of Household	\$22,500	\$23,625	\$24,625 (standard + \$1,000)*
Married Filing Jointly	\$30,000	\$31,500	\$33,500 (standard + \$2,000)

* IRS documents thus far have been non-specific regarding a separate charitable contribution amount for head-of-household filers, suggesting those filers' charitable deductions will equal that of single filers. Sources: Kitces.com and Hartford Funds, 11/25.

Caveat: Property or other non-cash donations such as stocks are ineligible for this deduction. In addition, donor-advised funds (DAFs) can't be used. Experts suggest that taxpayers may want to consider delaying charitable contributions to 2026 if they're unable to contribute the maximum deduction.²

3. Using your IRA to donate—and save on taxes: For tax filers 70½ and older, you can use a qualified charitable distribution (QCD) to donate pretax funds directly from traditional IRAs to qualified charities, thereby reducing your adjusted gross income (AGI). For those who are taking required minimum distributions (RMDs), you can use a QCD to count toward your RMD without adding to taxable income. This is a tax-efficient deduction you can use whether you itemize or take the standard deduction. The QCD limit is \$108,000 for 2025 (increases to \$111,000 for 2026) for each IRA owner, and the total can include many separate donations.³ Itemizers can still claim additional charitable deductions (within allowable limits) over and above the current QCD limits.⁴ Unlike some of the new restrictions on charitable contributions (see below), QCDs are above-the-line deductions that directly reduce a taxpayer's AGI, potentially reducing the amount owed for the 3.8% surtax on net investment income or income-driven Medicare IRMAA surcharges.

Caveat: QCD distributions must be processed before year-end, and donors need to remember to subtract the amount of the QCD from their taxable IRA withdrawals on their tax return, since IRA sponsors aren't required to itemize QCDs on the 1099-R form. And, as noted, QCDs are only available to seniors of a certain age.



For married non-itemizers, the standard deduction can now be combined with an enhanced \$2,000 deduction for charitable contributions.

Charitable Giving: Limitations

4. Charitable giving floor for high-net-worth (HNW) donors – For itemizers, the new law puts a floor on charitable donations tied to 0.5% of adjusted gross income (AGI).

Example: If your AGI is \$500,000 and you want to donate \$6,000 to a charity, your charitable deduction will be reduced by 0.5%, resulting in a \$2,500 decrease (i.e., \$500,000 X 0.5%). You can still donate the entire \$6,000, but you can only deduct \$3,500 (i.e., \$6,000 - \$2,500).

5. Charitable giving ceiling for HNW donors – The OBBBA limits the benefit of itemized deductions to the 35% bracket. High-income filers who would otherwise fit into the 37% bracket will be limited to itemized deductions at the 35% bracket, and many will no longer qualify for the additional \$40,000 SALT deduction.

Example: For a tax filer in the 37% tax bracket with an AGI of \$1 million, a pre-OBBBA charitable donation of \$100,000 would ordinarily confer tax savings of \$37,000. But with a deduction ceiling now set at the 35% tax-bracket level (combined with the 0.5% AGI limit—see item #4 above), the tax filer's benefit is reduced to \$33,250:

- Floor of 0.5% of AGI: \$5,000 (\$1 million X 0.5%)
- Charitable deduction: \$95,000 (gift amount minus floor amount)
- Tax benefit: \$33,250 (\$95,000 X 35% limit)⁵



The OBBBA limits the benefit of itemized deductions to the 35% bracket.

Other Considerations

The potential loss of deductions from those new OBBBA limitations could prompt some tax filers to front-load their charitable declarations in the 2025 tax year. One way to do this would be to contribute to a donor-advised fund (DAF) by December 31, 2025.

By bunching several donations earmarked for a broad mix of charities into a single DAF donation, the donor can receive a full deduction for 2025 (avoiding the limitations) and instruct the DAF sponsor to distribute the proceeds in later years, on a schedule that makes sense for the donor. Some tax filers may opt to take an itemized DAF deduction now and take the standard deduction in future tax years. Combining a DAF with a QCD (for taxpayers who qualify) could potentially enhance the tax efficiency of a giving strategy even more.

Lastly, high-net-worth tax filers concerned about the potential phase-out of the historically high gift and estate-tax exemptions included in the 2017 TCJA should know that the exemptions were extended by OBBBA—rising from \$13.99 million per individual in 2025 to \$15 million (\$30 million for married couples) for 2026 and beyond. Those exemptions are not just permanent; they'll also be adjusted annually for inflation starting in 2027. The top federal estate and gift-tax rate stays at 40% for amounts exceeding the exemption.⁶

Talk to your financial or tax professional to help you develop a charitable giving strategy that works for you.

¹Wall Street Journal, "Get Ready for New Rules on Tax Breaks for Charitable Giving," 7/25/25.

²Edward Jones, "Charitable Deduction Changes Coming in 2026: Strategies to Consider Before Year-End," 11/12/25.

³Wall Street Journal, "How Seniors Can Donate More to Charity and Pay Less in Taxes," 12/13/24.

⁴Fidelity Charitable, "What Is a Qualified Charitable Distribution?", 2025.

⁵Capital Group, "How the One Big Beautiful Bill Act (OBBBA) Impacts Year-End Tax planning," 2025.

⁶Citizens Private Bank, "Why You Should Plan for the Estate Tax Exemption Now—The Rules Have Changed, and the Window Is Open," 2025.

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