What the One Big Beautiful Bill Act means for charitable giving

The One Big Beautiful Bill Act (OBBBA) altered the federal tax rules for charitable deductions, affecting those who itemize deductions and those who take the standard deduction. The IRS's inflation adjustments for 2026 also add new considerations to the mix.

Whether you give regularly or make large one-time gifts, knowing how these rules work can help you maximize your philanthropic impact and potentially reduce your tax burden. Here's a look at eight tax law changes and what they mean for your giving—now and down the road.

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Key takeaways:

- The new rules affect both itemizers and non-itemizers.
- 2026 thresholds may shift how and when giving offers the biggest tax benefit.
- Our “moves to consider” are tax-smart giving actions you can take and sometimes combine with other financial moves.

Changes coming out of the OBBBA

1. New limit on all itemized deductions

If you’re in the 37% federal income tax bracket, the value of your charitable deduction benefits is now capped at 35%. Or, another way to think of it is that your tax benefits are capped at 35 cents for every dollar you donate.

What this means for you: If you itemize deductions, your donations will still count in full, but your tax break will be a bit smaller. For example, if you’re in the 37% tax bracket, a $10,000 donation that once generated $3,700 in tax savings is limited to $3,500 under the new cap.

Moves to consider:

- **Planning will be key:** Work with a financial advisor and tax advisor to find ways to potentially reduce your taxable income and reduce the amount of money taxed at the highest rate. This could include maximizing contributions to tax-advantaged accounts or looking for ways to defer income, along with charitable donations.

2. New hurdle to jump before you can take a donation deduction

For 2026 and onward, anyone who itemizes and wants to take a deduction for a charitable donation will need to exceed a 0.5% floor before they can claim that donation as an itemized deduction. The 0.5% floor is multiplied by your adjusted gross income (AGI) to determine the portion of your donation that is disallowed.

What this means for you: Smaller donations may no longer reduce your tax bill unless they clear this new threshold. For example, if your AGI is $200,000, only gifts above $1,000 will be deductible.

Moves to consider:

- **Bunch gifts:** Combine several years’ worth of donations into one tax year to clear the deduction floor.
- **Look at all of your assets:** Donating appreciated stock, real estate, and other non-cash assets may help you exceed the floor while unlocking additional tax advantages.

3. Universal deduction for non-itemizers

If you take the standard deduction, you can now also deduct up to $1,000 (single filers) or $2,000 (married couples filing jointly) for cash gifts to qualified operating charities, with inflation adjustments over time. Note: The deduction excludes donor-advised fund (DAF) contributions.

What this means for you: Even without itemizing, you can still lower your tax bill while supporting causes and charities you care about.

Moves to consider:

- **Max it out:** If you’re charitably inclined, consider contributing the full allowable amount each year to claim the deduction. Also, many employers will match charitable donations up to certain limits, so check with your employer to see if they can add to your gift.

What's extended from the Tax Cuts and Jobs Act

1. Permanent income tax brackets

The OBBBA makes current income tax brackets and rates permanent, removing uncertainty around future rate hikes. For 2026, the 10% and 12% tax brackets will also see an additional inflation adjustment.

What this means for you: With rates no longer set to expire or revert to higher pre-2018 levels, you can plan your giving with more confidence.

Moves to consider:

- **Plan thoughtfully:** Work with a financial or tax advisor to design a multi-year giving strategy to maximize your potential tax benefits.

2. Continued higher standard deduction

For the 2026 tax year, the standard deduction increases to $16,100 (single filers) and $32,200 (married couples filing jointly), with annual inflation adjustments to follow.

What this means for you: The higher threshold makes it important to check whether your charitable giving deductions, combined with other itemized deductions, exceed the standard deduction.

Moves to consider:

- **Bunch gifts:** Consolidate multiple years of donations into a single year to maximize tax benefits. A bunching strategy helps you take advantage of both itemized and standard deductions.
- **Use the new non-itemizer donation deduction:** See item #3 above.

3. Permanent 60% AGI limit

The ability to deduct cash gifts to public charities up to 60% of your AGI is here to stay.

What this means for you: This higher limit (up from the historical 50% cap) gives you more flexibility to make and fully deduct large cash gifts in a single year. Keep in mind, the 60% limit applies to public charities, including DAFs; cash donations to private foundations remain capped at 30%.

Moves to consider:

- **Carry it forward:** If your gifts exceed the annual cap, you can carry forward the unused deduction for up to five tax years.

4. Increased estate and gift tax exemption

The exemption increases to $15 million per single filer ($30 million for married couples filing jointly) for 2026, with future inflation adjustments.

What this means for you: You can transfer more wealth to your heirs without federal taxes. While you may feel less urgency to give for estate tax reasons, charitable gifts can still reduce your taxable estate if your assets exceed the exemption.

Moves to consider:

- **Plan your giving legacy:** Work with your advisors to make sure your estate plan reflects your charitable intentions and considers this new exemption level. You can also name charities or your DAF account as direct beneficiaries.

5. Higher SALT deduction cap (with limits)

The state and local tax (SALT) deduction cap for itemizers rises to $40,000 in 2026, and will increase 1% annually through 2029. Income limits apply, however, with the deduction phasing out for households with modified AGIs above $505,000 (or $252,500 for married individuals filing separately). The deduction reverts to a $10,000 cap in 2030.

What this means for you: If you're under the income limit, the higher cap may help you increase your itemized deductions and the tax benefit of your giving.

Moves to consider:

- **Leverage the cap:** If giving is important to you, talk with your financial and tax advisors to see if charitable donations could boost your overall deductions.

What you can do next

For questions or assistance with philanthropic planning or charitable giving, you and your advisors may:

Visit dafgiving360.org

Talk to a charitable specialist at
800-746-6216

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