

# What the One Big Beautiful Bill Act means for charitable giving



**Signed into law on July 4, 2025, the One Big Beautiful Bill Act (OBBBA) alters federal tax rules related to claiming a tax deduction for charitable donations.**

By extending key provisions from the 2017 Tax Cuts and Jobs Act, the OBBBA also brings more certainty to your short-term giving strategies.

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

Coauthors:

Caleb Lund, CAP®

Director of Charitable Strategies Group, DAFgiving360™

Hayden Adams, CPA, CFP®

Director of Tax Planning and Wealth Management,  
Schwab Center for Financial Research



## Key takeaways:

- The law has implications both for donors itemizing deductions and for those taking the standard deduction.
- Some provisions apply to giving for the 2025 tax year and should be reviewed now for your year-end giving decisions.
- 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 charitable deduction value

Starting in 2026, taxpayers in the 37% federal income tax bracket will see the value of their charitable deduction benefits capped at 35%.

**What this means for you:** If you're in the highest tax bracket and you itemize deductions when filing income taxes, your donations will still count in full, but your tax break will be a bit smaller. For example, a \$10,000 gift that currently generates a \$3,700 tax savings would be limited to \$3,500 under the new cap.

#### Moves to consider:

- **Give early:** Front-load large future gifts to [year-end 2025](#) to lock in the full 37% deduction value before the cap takes effect. Be mindful of adjusted gross income (AGI) rules, as any unused deduction amount rolled over to 2026 is subject to the 35% cap.

### 2. Higher deduction floor for itemizers

Also starting in 2026, itemized charitable deductions will only apply if your total contributions exceed 0.5% of your AGI.

**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 would 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, life insurance policies, and other [non-cash assets](#) may help exceed the floor while unlocking additional tax advantages.

### 3. Universal deduction for non-itemizers

Beginning in 2026, taxpayers who take the standard deduction can also deduct up to \$1,000 (single filers) or \$2,000 (married couples filing jointly) for cash gifts made directly to qualified operating charities. The deduction excludes donor-advised fund (DAF) contributions, and the cap will adjust with inflation over time.

**What this means for you:** If you don't itemize deductions, this gives you a new way to reduce your tax bill while supporting causes and charities you care about. This change will likely provide tax benefits to a large number of taxpayers who previously donated but did not itemize, since around 90% of households take the standard deduction.

While this tax benefit can't be used with DAFs, it doesn't lessen the value of DAFs—they remain a powerful tool for strategic, tax-smart giving. Note that a DAF account may also receive future contributions by being named as a beneficiary of assets in other accounts.

#### 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.
- **Explore a DAF:** See [how a DAF works](#) and how it may help you have more to give to charity.

# 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.

**What this means for you:** With rates no longer set to expire or revert to higher pre-2018 levels, tax planning becomes more predictable—there's no rush to change your giving out of concern for higher tax rates.

### Moves to consider:

- **Plan thoughtfully:** Work with a financial or tax advisor to strategically manage your giving to maximize your potential tax benefits.

## 2. Continued higher standard deduction

For the 2025 tax year, the standard deduction increases to \$15,750 (single filers) and \$31,500 (married couples filing jointly), with annual inflation adjustments.

**What this means for you:** The higher threshold makes it important to evaluate whether your charitable giving combined with other itemized deductions exceeds the standard deduction. This will help you determine if bunching donations within a single year is an effective strategy.

### 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.

## 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 donors 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, while cash donations to private foundations remain capped at 30% of your AGI.

### 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 higher exemption level is now permanent and increased to \$15 million per single filer (\$30 million for married couples filing jointly) for 2026. These amounts are nearly double the 2017 levels and will have future adjustments for inflation.

**What this means for you:** You can transfer more wealth to your heirs without federal taxes. While the urgency to give for estate tax reasons may lessen, charitable gifts—through an estate plan or beneficiary designation—remain an effective way to lower your taxable estate value if your assets exceed the gift and estate tax exemption.

### Moves to consider:

- **Plan with purpose:** For charitably minded individuals, a plan to support charities through your estate is an effective and easy way to fulfill your charitable legacy, whether you have a taxable estate or not.

## 5. Higher SALT deduction cap (with limits)

The OBBBA raises the state and local tax (SALT) deduction cap for itemizers to \$40,000 in 2025, up from \$10,000 in 2024, with a 1% annual increase through 2029. However, income limits apply, and the deduction will phase out for households with modified AGIs above \$500,000 (\$250,000 for married individuals filing separately). In addition, the deduction reverts to a \$10,000 cap in 2030.

**What this means for you:** If your income is below \$500,000, the higher cap may help you increase your itemized deductions and potentially boost the value of your charitable deductions.

### Moves to consider:

- **Leverage the cap:** Use the expanded deduction to unlock additional tax savings. If you're charitably inclined, talk with your financial and tax advisors to see if charitable donations could help increase your deductions.

---

## What you can do next

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

Visit [dafgiving360.org](https://dafgiving360.org)



Talk to a charitable specialist at  
800-746-6216



Follow [DAFgiving360](#)

---

DAFgiving360 does not provide legal or tax advice. Please consult a qualified legal or tax advisor where such advice is necessary or appropriate.

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation.

Contributions made to DAFgiving360 are considered an irrevocable gift and are not refundable. Once contributed, DAFgiving360 has exclusive legal control over the contributed assets.

DAFgiving360™ is the name used for the combined programs and services of Donor Advised Charitable Giving, Inc., an independent nonprofit organization which has entered into service agreements with certain subsidiaries of The Charles Schwab Corporation. DAFgiving360 is a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code.

©2025 Donor Advised Charitable Giving, Inc. All rights reserved. REF (0925-CTCM) ATL128831-00 (09/25) 00318238