

The
**Philanthropy
Guy**

Big Beautiful Benefits to Planning Ahead: Charitable Giving and the Changing Tax Laws

Presented by

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- **Part 1: Impacts** on charitable giving due to the 2024 election
- **Part 2: Dollar threshold updates** related to the gift tax exclusion, cash and non-cash gift deductibility, annual gift exclusions, and Qualified Charitable Distributions (QCDs); OBBBA updates
- **Part 3: Donor -Advised Funds: 2023 Trends and Numbers**

- From a report in January from the **National Council of Nonprofits:**
- After his January 20th inauguration, President Trump signed dozens of Executive Orders (EOs) covering a broad range of issues, including
 - diversity, equity, and inclusion programs;
 - government grants and contracts;
 - civic engagement;
 - immigration; and
 - certain nonprofit subsectors
- Some of the EOs **won't take effect immediately**, and many are expected to be immediately **challenged in court.**
- Some of the EOs **may affect nonprofits directly or indirectly.**

EO: Ending Illegal Discrimination and Restoring Merit-Based Opportunity

- Nonprofit Impact: Federal government DEI programs and trainings, often provided by or in partnership with nonprofits, will be eliminated.
- Any nonprofit who has a federal grant related to any DEI work was sent word to **cease all DEI activities related to federal awards, effective immediately.**

EO: Initial Rescissions of Harmful Executive Orders and Actions

- Nonprofits partnering with federal government agencies or receiving federal funding may experience **longer wait times and slower processing, loss of points of contacts or difficulty reaching them, and increased strain on relationships.**
- Nonprofits should **advocate for and talk to government partners about government grants and contracting reform** and provide specific examples of how processes and reporting requirements could be streamlined.
- Nonprofits will **no longer have direct White House connections through the Office of Faith -Based and Neighborhood Partnerships.**

EO: Protecting the American People Against Invasion

EO: Protecting the Meaning and Value of American Citizenship

- Nonprofits working with immigrant populations, providing legal assistance or training, or delivering humanitarian or other direct aid, may see the need for services increase, may lose funding, and could be targeted by law enforcement.
- Human services and social services could also be targeted.

EO: Initial Rescissions of Harmful Executive Orders and Actions

EO: Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government

- Charitable nonprofits serving LGBTQ+ communities and providing gender affirming care and other services may experience loss of federal funding, increase in demand for services, and strained relationships with government partners. -

EO: Initial Rescissions of Harmful Executive Orders and Actions

EO: Unleashing American Energy

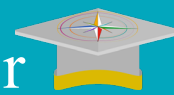
- Nonprofits receiving or expecting funding from Elective Pay (sometimes known as “Direct Pay”), Inflation Reduction Act, or **other Infrastructure Investment and Jobs Act** programs may have the programs and funds terminated.

One Big Beautiful Bill Act (OBBBA): Impact on Charitable Giving

- OBBBA was signed into law on **July 4, 2025** and begins affecting the **2025** and **2026** tax years. It preserves the TCJA's basic structure, but it introduces several **new tax provisions**.
- OBBBA's tax provisions make **2025 a strategic year for charitable giving**. Donors may want to **accelerate contributions** before certain deductions are reduced in 2026.

New OBBBA tax provisions that affect giving:

- **Above-the-line deduction for non-itemizers:** Starting in 2026, taxpayers who don't itemize can deduct up to \$1,000 (single) or \$2,000 (joint) for cash gifts to public charities. With only about 10% of households currently itemizing, this new deduction is intended to broaden charitable participation.
 - *This amount is not tied to inflation and unavailable for gifts to donor advised funds or private foundations*
- **Cap on high-bracket deductions:** OBBBA limits charitable deductions to a **35% benefit** even for taxpayers in the 37% bracket
 - Effective 2026, high-income donors may accelerate gifts into 2025 to avoid this cap
- **Floor for itemizers and corporations:** From 2026, individuals can deduct only the portion of charitable gifts that **exceeds 0.5% of AGI**.
 - Corporations can deduct **only amounts above 1% of taxable income**.



*The post -2025 tax code will **reverberate** throughout the \$120B intergenerational **Great Wealth Transfer (GWT)** over the next 20 years...*

- How will that **wealth** be taxed?
- How large will **incentives to give it away** be?
- What does the **GWT asset pool** look like?
- What **types of giving vehicles** lend themselves to the GWT?
- What generations will be transferring?

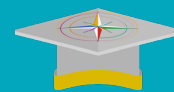
- **Dollar threshold updates** related to the:
 - **Cash and non-cash gift deductibility** ...
 - Deductions for contributions of **non-cash, long-term capital gain property** (such as appreciated securities held for more than one year) are limited to **30% of AGI**.
 - **Qualified Charitable Distributions (QCDs): \$108,000**
 - **Up to \$54,000** to make a **one-time donation to a CRT or CGA**

Extensions of existing 2017 Tax Cut and Jobs Act (TCJA)

- The following provisions from the TCJA were made **permanent or extended under OBBBA**, continuing to shape charitable giving strategies and tax planning
 - The **seven -bracket tax structure** is made permanent.
 - The standard deduction **rises to \$15,750 for single filers and \$31,500 for married couples in 2025.**
 - The **60% AGI limit for cash gifts** to charities is made permanent.
 - The federal estate and gift tax **exemption increases to \$15 million in 2026 for individuals, or \$30M per married couple**.

Dollar -Threshold Updates

- **Gift tax & estate exemption:** Keeping the annual gift -tax exclusion at \$19K
 - Again, OBBBA lifts the lifetime estate/gift exemption to \$15M in 2026, replacing forecasts that it would drop to \$7M.
- **Cash vs. non -cash gifts:** Again, OBBBA leaves the 60% AGI limit unchanged
 - Itemizers will now only deduct amounts above 0.5% of AGI
- **Qualified Charitable Distributions:** QCD limits stay the same , but the new non -itemizer deduction may make direct cash donations more attractive to those who don't itemize



Other OBBBA tax changes

- **SALT cap:** Deduction cap increases to \$40,000 in 2025 and rises 1% annually through 2029 before reverting to \$10,000 in 2030
- **School -voucher donation credit:** In 2027, donors can claim a credit up to \$1,700 per taxpayer for gifts to organizations that fund scholarships for private or religious K -12 schools
- **University -endowment tax:** A tiered tax of 1.4% –8% is imposed on investment earnings of institutions with more than \$2 million in endowment per student; smaller colleges are exempt

- The first Donor -Advised Funds (DAFs) were created in the **1930s**, though DAFs **were not recognized formally** in the IRS Code **until the Pension Protection Act of 2006**.
- In the 1990s DAFs really began to take off in **visibility and popularity** and are **philanthropy's fastest growing vehicles** today.

Most popular way to give at community foundations, generally speaking.

Some numbers from the latest **Donor -Advised Fund facts and figures** from the **2024 National Philanthropic Trust report** ...

...but before we go into that...

- There is **no required minimum annual payout** per IRS rules (unlike the 5% of private foundations), although **DAF sponsors tend to self-regulate** to address inactive funds and “force out” grants.
- Grants can only be paid to **verified 501(c)3 organizations**.
- There are almost **two million charitable organizations** in the country right now.

- **DAFinitive: only searchable database that helps you find information on over 300 DAF sponsors;** **annual subscription fee**
- **dafwidget: icon that sits on nonprofit website** **to help donors make grants from their DAFs**
- **Making pledges?** **Well...**
- **Checkbook giving vs. DAF giving?**
- **Single -issue DAF sponsor vs. Commercial DAF vs. Community Foundation DAF?**

- National Philanthropic Trust's (NPT's) *2024 Donor -Advised Fund Report* looked at **1,140 charitable organizations** that sponsored DAFs in 2023.
 - **73 National Charities**
 - **723 Community Foundations**
 - **344 Single -Issue Charities**

- DAF donors, once again, granted at **historic levels.**
- **Grants** from DAFs **totaled \$54.77 billion** in 2023.
- Grantmaking has **more than doubled** in the past five years.

- According to the NPT 2024 Donor -Advised Fund Report , donor -advised fund (DAF) charitable assets increased to \$251.52 billion in 2023 , up from \$228.92 billion in 2022.
- In comparison, as it relates to private foundations , the Federal Reserve's data indicates that their total financial assets were approximately \$1.48 trillion in 2023.
- These figures represent increases from the previous year, reflecting growth in both DAF and private foundation assets.

- DAF payout rate decreased to **23.9 percent in 2023, down from 24.1% in 2022.**
- Aggregate grant payout rates from DAFs have **exceeded 20 percent in every year on record!**
- The **highest payout rate on record occurred in 2021 (28.7 percent).**

- The **average size of an individual DAF account** is estimated to be **\$141,120** for 2023.
 - This is a **9.2 percent increase** compared with the revised estimate for 2022 of \$129,000.

- According to the NPT 2024 Donor -Advised Fund Report, contributions to DAFs in 2023 totaled **\$59.43 billion** , representing a **21.7% decrease** from the 2022 total of \$75.91 billion.
- The number of individual DAF accounts rose by **2.6%**, from **1,948,545** in 2022 to **2,000,000** in 2023.
 - These figures indicate a **decline in contributions** but a **continued increase in the number of DAF accounts**.

- **Thresholds for help** ; \$3M at Fidelity
- **Bunching/bundling** concept
- **No required annual payout**
 - Vs. private foundation required 5% payout each year
 - Average 6% payout on PFs
- **Anonymity**
 - **Personal**
 - **Fund**

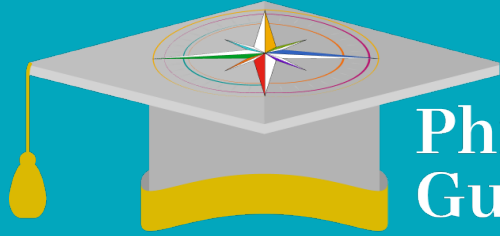
OBBBA Implications for DAFs

- Gifts to DAFs do not qualify for the new non-itemizer deduction
- Use a mix of cash and appreciated securities.

Key Takeaways of the impact of OBBBA

- **Make 2025 your giving “deadline”:** pending caps and floors mean high -income donors may benefit by making large gifts before 2026.
- Use **bunching** and donor -advised funds to group several years’ donations into one year , clearing the new 0.5% AGI floor while retaining flexibility. There is still the 35% cap.
- **Mix cash and appreciated assets** to maximize tax efficiency under the 60 %/30 % AGI limits.
- **Consult a tax or financial advisor** to tailor these strategies to your situation.

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Questions?

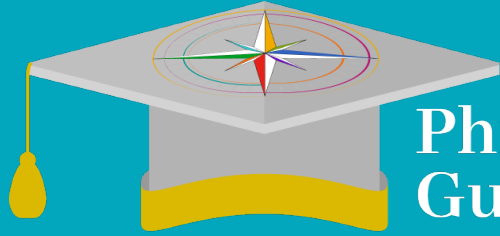
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