

2025: A Limited Window for Charitable Tax Savings

With the passage of the One Big Beautiful Bill Act earlier in 2025, the tax benefits of charitable giving will change in the coming years. Starting in 2026, for taxpayers who itemize, charitable deductions will be subject to a floor of 0.5% of a taxpayer's adjusted gross income. This means that gifts below that threshold will not be deductible.

As 2025 ends, donors have a unique opportunity for potential tax savings. Many are familiar with bunching, a strategy that combines multiple years of charitable gifts into one tax year to maximize itemized deductions, especially useful for those who typically take the standard deduction. Donor advised funds are often used in this approach, allowing donors to distribute gifts over time while claiming the full deduction upfront.

Bunching in 2025 becomes even more valuable with the introduction of the charitable giving floor in 2026. If a donor were to accelerate future gifts into 2025, they may avoid the deduction limits set for 2026 and beyond. The following example highlights the tax savings for a donor who itemizes deductions and gives \$20,000 over three years versus bunching the gifts in 2025, amounting to a Federal income tax savings of \$7,175 comparatively.

As you plan your year-end giving, consult with your wealth and tax advisors to understand how these tax changes may affect your charitable giving strategy.

KEY TAKEAWAYS

- **Tax Benefits of Charitable Giving Will Change:** Starting in 2026, deductions below 0.5% of AGI will not be allowed.
- **A Unique Opportunity for Potential Tax Savings:** 2025 offers a final chance to maximize deductions before the new limits take effect.
- **Bunching in 2025 Becomes Even More Valuable:** Combining future gifts this year can help donors avoid restrictions in 2026 and beyond.
- **Consult Your Advisors:** Work with your wealth and tax professionals to plan year-end giving strategies.

2025 BUNCHING SCENARIO

Scenario: Donor has income of \$750,000, is in the 35% federal income tax bracket, files jointly, and itemizes deductions.

	2025	2026	2027		2025
Other deductions	\$25,000	\$25,000	\$25,000		\$25,000
Charitable donation	\$20,000	\$20,000	\$20,000	vs.	\$60,000
Less 0.5% floor	n/a	-\$3,750	-\$3,750		n/a
Amount over standard deduction of \$31,500	\$13,500	\$9,750	\$9,750		\$53,500
Potential Tax Savings	\$4,725	\$3,412.50	\$3,412.50		\$18,725
	\$11,550 TOTAL				\$18,725

Savings as a Result of Bunching: \$7,175

