

Year End Charitable Planning



Kimberly Murphy MBA, MS, CFP®
Partner, Director of Financial Planning

Charitable giving lets us support the causes that matter most to us—and at the same time, it can play a valuable role in reducing both income and estate tax exposure. With the passage of the One Big Beautiful Bill Act (OBBBA), several rules for charitable giving are changing in the coming years, making thoughtful planning more important than ever.

Below are key highlights to consider as you approach year-end planning:

1. New Above-the-Line Deduction

Taxpayers who take the standard deduction have traditionally been unable to deduct charitable gifts. Beginning in 2026, however, donors are eligible for up to a \$1,000 above-the-line deduction for charitable contributions, even when taking the standard deduction. That amount is increased to \$2,000 for married taxpayers filing jointly.

2. Charitable Deduction Floor

Starting in 2026, charitable gifts will be subject to a new 0.5% AGI floor, meaning donations below that threshold will not be deductible. For example, if your AGI is \$500,000, the first \$2,500 in donations would no longer be deductible. This new floor could significantly reduce the tax benefit for those with high AGI and moderate giving levels, making it beneficial to make larger gifts in 2025 before this rule takes effect.

3. New Limitation for High-Income Taxpayers

OBBBA introduces a rule that limits the value of itemized deductions for taxpayers in the highest tax bracket. Starting in 2026, the value of itemized deductions for those in the 37% bracket will be capped at a 35% tax rate—another important reason to consider accelerating or “bunching” gifts before the end of 2025.

4. Explore Donor-Advised Funds (DAFs)

If you decide to “bunch” several years of giving into a single, large contribution now to capture the maximum deduction before the 2026 changes, you may want to consider a Donor-Advised Fund, which allows you to contribute to the fund now, take an immediate deduction, and then recommend grants from the fund on your own timetable.

5. More Opportunities to Itemize in 2025

The SALT deduction cap increases from \$10,000 to \$40,000 for 2025, providing more taxpayers with the potential to itemize. Note: The cap phases down for those earning over \$400,000.

6. Consider Gifting Appreciated Stock

Recent market gains may mean larger embedded capital gains. Donating appreciated stock enables you to avoid capital gains tax while potentially receiving an income tax deduction for the stock’s fair market value.

7. Qualified Charitable Distributions (QCDs)

If you are age 70½ or older, you may give up to \$108,000 in 2025 directly from your IRA to qualified charities. These QCDs can satisfy your required minimum distribution and exclude the gifted amount from taxable income.

While charitable gifting continues to offer meaningful tax benefits, the One Big Beautiful Bill Act makes proactive planning especially valuable in 2025.

Please reach out if you have any questions.

Park Edge Advisors is not an accountant and does not provide tax advice. Always consultant with a qualified tax professional regarding your specific tax situation.