

Charitable Giving—Planning for Changes in 2026

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Generally, charitable donations to qualified organizations are fully deductible up to certain adjusted gross income (AGI)-based limits if you itemize deductions. The One Big Beautiful Bill Act (OBBBA) creates a nonitemizer charitable deduction of up to \$1,000, or \$2,000 for joint filers, which goes into effect in 2026. Only cash donations qualify.

Also beginning in 2026, a 0.5% floor will apply to itemized charitable deductions. This generally means that only charitable donations in excess of 0.5% of your AGI will be deductible if you itemize deductions. So, if your AGI is \$100,000, your first \$500 of charitable donations for the year won't be deductible.

In addition, if you are in the highest tax bracket (37%), your itemized deductions (including charitable gifts) will also take a $2/37^{\text{th}}$ s haircut. In practical terms, the tax benefit of deductions will be lowered from 37% to roughly 35%.

If you were planning to make donations over the next 3–5 years, and your cash flow allows for it, we recommend that you consider making a larger donation in 2025 so you can receive the full benefit of your charitable contributions before the limitations take effect. If you are looking to make charitable contributions over multiple years, contributing to a Donor Advised Fund (DAF) in 2025 is a good strategy. Since you get the deduction for contributions to a DAF in the year the funds are transferred into the account, funding a DAF in 2025 would allow you to get the full deduction in 2025 and then disburse the funds over subsequent years.

For any outright charitable donations made starting in 2026 and subsequent years, a “bunching” strategy will be preferable to minimize the impact of the floor and haircut.

The standard adjusted gross income limits for current year deductibility still apply; up to 60% of your AGI for cash contributions and 30% for gifts of appreciated securities. Donating highly appreciated stock remains one of the most tax-efficient strategies to diversify your portfolio while supporting your charitable goals.