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## New Charitable Giving Rules for 2026 May Require 2025 Planning

NOVEMBER 18, 2025

New federal tax laws effective as of January 1, 2026, will change how charitable deductions work for most taxpayers. Adopted under the One Big Beautiful Bill Act, the new rules may affect anyone who makes charitable contributions. Importantly, the timing of your giving could influence the tax benefit you receive, and some taxpayers may want to take action in 2025 in anticipation of the changes.

### How This Affects Taxpayers

The new rules will affect **individual taxpayers** as follows:

- Individuals who do not itemize deductions (**non-itemizers**). Starting in 2026, taxpayers who take the standard deduction (which for 2026 is expected to be \$16,100 for single filers and \$32,200 for married couples filing jointly) will be able to deduct up to \$1,000 (\$2,000 for married couples filing jointly) for most charitable contributions.
- Individuals who itemize deductions (**itemizers**). Starting in 2026, charitable deductions for itemizers will be subject to a floor; they will be allowed only to the extent that total charitable contributions exceed 0.5% of adjusted gross income (AGI). For example, for someone with \$200,000 of AGI, only the portion of their charitable giving above \$1,000 (0.5% of \$200,000) will be deductible.

Also, for itemizers in the highest income tax bracket, the value of the charitable deduction will be capped at 35% beginning in 2026. This change will reduce the tax benefit of charitable contributions for taxpayers in that top bracket, lowering the value of the deduction from roughly 37 cents per dollar in 2025 to 35 cents per dollar in 2026. For example, a \$10,000 charitable gift would generate a \$3,500 federal tax benefit in 2026, compared to \$3,700 today.

It is worth noting that the new law makes permanent the current rule allowing deductions for cash contributions to public charities of up to 60% of AGI. The 60% limit had been scheduled to expire, which would have meant a return to the prior 50% of AGI cap.

The new rules will also affect **corporations**, as follows:

- Charitable deductions by corporations will become subject to a 1% floor, such that only the portion of a corporation's giving that exceeds 1% of its taxable income will be deductible as a charitable contribution.
- Charitable deductions for corporations will continue to be capped at 10% of taxable income as they are under current law.

### Timing Is Important

These changes do not take effect until 2026, so 2025 is the final year under current charitable deduction rules. As a result, the timing of contributions could matter.

- For **itemizers**, a few actions to consider before the end of 2025 are:
  - *Bunching gifts.* You may want to accelerate or “bunch” charitable contributions in 2025 to put off being subject to the 0.5% of AGI floor and the aforementioned 35% cap. For example, if you would ordinarily contribute \$100 each year to a charity, consider making multiple years’ worth of contributions this year to maximize the potential tax benefit (e.g., contribute \$300 in 2025 rather than \$100 in each of 2025, 2026, and 2027).
  - *Arranging for gradual gifts.* If accelerating contributions makes sense for you, but you prefer the charity to receive gifts over multiple years, you can contribute to a donor-advised fund (DAF) in 2025, claim the deduction now under current rules, and recommend grants to charities over time in future years.
  - *Gifting appreciated stock.* Anyone accelerating charitable giving this year could also consider contributing appreciated stock or other long-term capital assets, which may allow a full fair-market-value deduction while also avoiding capital gains tax.
- For **non-itemizers**, on the other hand, it may make sense to wait until January 2026 to make certain contributions that you would otherwise make at year end, because 2026 will be the first year that non-itemizers are eligible for a charitable deduction.
- For **corporations**, consider bunching gifts or contributing to a DAF before the end of 2025, to the extent cash flow permits.

### Frequently Asked Questions

1. Do I have to pay attention to this?

No! However, it may be helpful to consider whether to make contributions in 2025 or wait until 2026, depending on your situation.

2. What do you mean that non-itemizers get the new deduction for “most charitable contributions”?

The new deduction for non-itemizers applies only to cash contributions made directly to US publicly supported charities. It does not apply to contributions to DAFs or the vast majority of private foundations.

3. Can everyone still use a DAF?

Yes, but the tax benefit for doing so is for itemizers and corporations only. For those taxpayers, contributions to a DAF are deductible in the year made, and donors can then recommend distributions to their favorite charities over time.

#### 4. How would I establish a DAF?

A DAF can be opened through most major financial institutions or through a local community foundation. Some universities maintain them as well. The process is typically straightforward and can be completed online.

*Please note this courtesy message is for general awareness only. Everyone's situation is different. Please consult your tax advisor before making any decisions.*

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