



New Tax Provisions Introduced by OBBBA

OBBBA introduces three new tax provisions that could significantly influence decisions on charitable giving strategies, offering both expanded opportunities and important considerations for donors.

1 Above-the-Line Charitable Deduction for Non-Itemizers (Effective Tax Year 2026)

As part of the new tax provisions introduced by the OBBBA, beginning in the 2026 tax year, taxpayers who do not itemize deductions will once again be eligible to deduct certain charitable contributions. Specifically, individuals can deduct up to \$1,000 and married couples filing jointly up to \$2,000 in cash donations made to qualifying charitable organizations. This above-the-line deduction is not adjusted for inflation and excludes contributions to donor-advised funds and private non-operating foundations.

Implication: Since the Tax Cuts and Jobs Act (TCJA) significantly increased the standard deduction, only about 10% of households have continued to itemize, effectively excluding the vast majority of taxpayers from claiming a deduction for charitable giving. With OBBBA's reinstatement of the charitable deduction for non-itemizers, all taxpayers—regardless of whether they itemize—can now receive a tax benefit for eligible charitable contributions. This change may encourage broader participation in charitable giving across income levels.

2 New Cap on Charitable Deduction Benefits for Top Earners (Effective Tax Year 2026)

Under the OBBBA, starting in the 2026 tax year, the value of itemized charitable deductions for taxpayers in the highest income bracket will be limited. Specifically, the legislation caps the tax benefit of these deductions at 35%, even for individuals in the 37% marginal tax bracket. For example, a high-income filer who donates \$1,000 would receive a \$350 tax benefit, rather than the \$370 allowed under current law.

Implication: Donors in higher tax brackets who are considering a significant philanthropic gift may want to think about accelerating their gift to 2025 to maximize their deduction under the current marginal rate before the new cap goes into effect.

3 New Minimum Threshold for Charitable Deductions by Itemizers and Corporations (Effective Tax Year 2026)

Starting in the 2026 tax year, the OBBBA introduces a floor on charitable deductions for both individual itemizers and corporate donors. Under the new rule, individuals who itemize will only be able to deduct charitable contributions that exceed 0.5% of their adjusted gross income (AGI). For instance, a married couple with an AGI of \$300,000 would need to contribute more than \$1,500 before any portion of their donation becomes deductible. Similarly, corporations can only deduct charitable contributions to the extent they exceed 1% of their taxable income. Corporations can still deduct charitable contributions up to a limit of 10% of their taxable income. This was also the limit under the previous law. Contributions in excess of the 10% limitation may be carried forward for five years.

Implication: High-income individuals who itemize deductions should carefully consider the timing and amounts of their giving, and the strategies to maximize their deduction. For example, a bunching strategy or an approach of making larger gifts with less frequency can be more effective under the new rules. Corporations may want to take steps to proactively manage (and potentially increase) their giving to ensure they exceed the 1% threshold.