



## Get Ready for New Rules on Tax Breaks for Charitable Giving

*By Laura Saunders published by The Wall Street Journal on July 25, 2025*

Do you make charitable donations? Little-noticed provisions in the One Big Beautiful Bill Act are about to boost tax breaks for some donors, lower them for others and complicate them for lots of Americans.

Unlike some other recent changes, these don't take effect until 2026—so donors who care about maximizing charitable tax breaks have months to prepare. After that, the changes are permanent, at least until Congress alters the law again.

To understand the new provisions, go back to the 2017 tax overhaul. It nearly doubled the standard deduction, which is the amount filers can deduct if they don't list itemized deductions on Schedule A. It also capped the deduction for state and local taxes, or SALT, at \$10,000 per return.

Those changes pushed millions more filers into taking the standard deduction, which meant they could no longer list charitable donations on Schedule A and get a specific break for them. Between 2017 and 2019, itemized charitable deductions dropped by about \$66 billion, or 26%, according to the Giving USA Foundation and Indiana University.

To encourage giving, the new tax law goes in a different direction. It allows donors who don't itemize on Schedule A to take annual deductions of as much as \$2,000 for married joint filers and \$1,000 for singles.

The new deduction is a much-expanded version of pandemic provisions from 2020 and 2021. It could allow charitable deductions for about 100 million people who wouldn't be eligible otherwise.

However, two other provisions will impose new limits on itemized charitable deductions. Donors who list donations on Schedule A won't get their full benefit, because they'll forgo an amount equal to 0.5% of their adjusted gross income. In addition, top-bracket taxpayers will only get to take itemized deductions at 35%, not 37%, which will affect charitable donations.

The upshot is that givers who want to maximize tax breaks should plan now.

"People need to decide whether to accelerate contributions into this year, make them on a normal schedule or defer them into next year," says Lawrence Katzenstein, a lawyer with Thompson Coburn in St. Louis who specializes in charitable tax planning.

Giving strategies will depend on individual circumstances. Donors might want to accelerate gifts into 2025 to avoid the new haircuts on itemized charitable deductions, especially if they're in the top tax bracket.

Others who will benefit from expanded SALT deductions that begin this year might want to clean out attics and closets to make property donations this year, in case they won't be itemizing in the future.

Still others who are 70½ or older might want to give using [qualified charitable distributions](#), or QCDs, from their traditional IRAs. These donations aren't subject to the new limits, and QCDs are often the most tax-advantaged way to make donations.

To help with planning, here are details of the new charitable provisions.

### **The \$2,000 or \$1,000 deduction**

This tax break is for donors who don't itemize deductions on Schedule A. It's \$2,000 annually for married joint filers and \$1,000 for others.

---

## SHARE YOUR THOUGHTS

---

*How will the new rules change the way you approach charitable donations? Join the conversation below.*

There are several limits. The gifts must be of cash, so donations of property such as clothing or furniture don't count. Neither do gifts of assets such as stock. In addition, the gifts must be to qualified charities such as a church or school, not to donor-advised funds or supporting organizations.

Another limit: This deduction will reduce a filer's taxable income but not adjusted gross income, or AGI. This matters because many other provisions—including Medicare Irmaa premiums, the income limits for Roth IRA contributions and the 3.8% investment-income surtax—are based on AGI. [To hold down AGI](#), filers need to look elsewhere, such as traditional IRA, 401(k) and HSA contributions, or QCDs, or business losses.

### **The 0.5% disallowance**

This provision imposes a threshold on filers' itemized charitable contributions on Schedule A. For most, it disallows an amount of the donation that's equal to 0.5% of adjusted gross income.

For example, a couple who itemizes and has \$225,000 of AGI couldn't deduct \$1,125 of their charitable donations.

Note that the disallowance is a fixed amount for each year. So if this couple gives \$2,000, their deduction will be \$875. That means they will have lost more than half of their deduction. But if they give \$5,000, their deduction will be \$3,875. In that case, they'll lose just over 20%.

But wait. What if this couple opts not to itemize and claims the \$2,000 charitable deduction for nonitemizers. Would they be better off?

Maybe not, if they're reaping big benefits from deductions for SALT, mortgage interest, and others. Instead, they might opt to bunch their charitable donations and make them every few years instead of annually to maximize their value.

### **The limit for top-bracket taxpayers**

This provision clips the highest-income filers by allowing the benefit for itemized deductions only at 35% rather than the top rate of 37%. Currently the top bracket begins at roughly \$752,000 for joint filers and \$626,000 for single filers, and it will be higher next year when this limit takes effect, because of inflation adjustments.

#### Advertisement

Because top-bracket taxpayers' income will be too high for [the expanded \\$40,000 SALT deduction](#), this change will especially affect charitable donations. It's in addition to the 0.5% disallowance.

Richard Pon, a CPA in San Francisco, illustrates the potential effect on a top-bracket, joint-filing couple who have \$900,000 of AGI and plan to make a \$100,000 donation. Under current law in effect until year-end, their \$100,000 gift would yield tax savings of \$37,000.

Under next year's law, the couple's tax savings could drop to \$33,425, costing them an extra \$3,575. That is because of the combined effect of the 0.5% disallowance and the limit on itemized deductions.

[Donor-advised funds](#), or DAFs, could come in handy here. The giver could contribute a large amount to the DAF, get a full deduction for 2025 and then make smaller gifts from the account over time if desired.

Says Pon, "I expect to see accelerated charitable donations this year from the smartest people in the highest bracket, because of the double tax whammy."

Write to Laura Saunders at [Laura.Saunders@wsj.com](mailto:Laura.Saunders@wsj.com)

Wall Street Journal. July 25, 2025