2025 Year-End Charitable Giving & Tax Planning

The passage of major legislation (referred to generally as “The One Big Beautiful Bill Act” or OBBBA) can have a significant impact on traditional year-end tax strategies. As you consider taking steps to maximize your support for charitable organizations this year, keep in mind the tax landscape in 2025 will look different in 2026 and beyond. This has created some advantages to giving this year.

The following is a list of several key tax provisions contained in OBBBA as well as some important changes that can impact year-end giving decisions.

- **Tax rates made permanent:** OBBBA permanently extends several key provisions, including the individual income tax brackets (10% to 37%), the increased standard deduction, and the elimination of personal and dependent exemptions.
    - ***However, some seniors, aged 65 and older, may be eligible for a new deduction of up to $6,000 for tax years 2025 through 2028.***

- **State and Local Tax (SALT) deduction increased:** The SALT deduction cap temporarily increases to $40,000 for married couples filing jointly with a modified adjusted gross income below $500,000 effective for 2025.
    - ***Depending on your local tax bills (both state income and local property taxes) this increase could enable you to claim itemized deductions, including the charitable contribution deduction, on your 2025 tax return.***

- **Charitable Deductions subject to floor and ceiling:** Starting in 2026, only the portion of charitable gifts above 0.5 percent of your adjusted gross income will be deductible for those who itemize. In addition, the value of all itemized deductions, including charitable contributions, will be capped at a tax savings of 35 percent for those in the higher 37 percent bracket.
    - ***If you are contemplating a large gift to charity in 2026 or later, it may be beneficial to accelerate the gift before this year-end to avoid the application of the new floor or ceiling. Again, accelerating contributions to donor-advised funds (DAFs), including bunching several years' worth of contributions before December 31, 2025, will avoid or minimize the impact of the new charitable deduction cutbacks.***

- **Nonitemizers will be entitled to a charitable deduction for cash gifts:** Starting in 2026, if you claim the standard deduction, you still will be entitled to a charitable contribution of up to $2,000 (married filing jointly) for cash contributions to public charities, but not DAFs.

Keep in mind that traditional year-end charitable giving strategies can be even more beneficial after the enactment of OBBBA. Consider the following:

- Donations to charity can reduce current income taxes and avoid capital gains taxes. Gifting appreciated assets held for more than one year rather than cash both lowers your overall income tax bill and is not subject to capital gains. And gifts of retirement assets can provide a current tax benefit as well as remove the gifted assets from your estate.

    - ***Charitable gifts of appreciated assets remain a best practice and with the rise in stock market values over the last several months, you may have experienced significant growth in your investment portfolio.***
    - ***Such gifts can provide you with a deduction for the full current value of the asset but also avoid the capital gains tax that would apply if you sold the assets and gifted the after-tax proceeds.***

- Donate to a DAF. If you are considering making a significant donation to charity over time or just want the ability to plan your charitable grants over a period of years, consider opening a DAF or adding funds to an existing DAF. Funding your DAF with appreciated assets can be especially beneficial as again you avoid any capital gains liability.
    - ***Jewish Federation of Omaha Foundation operate DAFs and we are skilled at accepting appreciated assets including publicly traded stock, as well as other types of non-cash assets like life insurance, privately held business interests, real estate, and certain collectibles.***

- "Bunching" charitable gifts to maximize tax benefits: If you don't have sufficient deductions to itemize and claim the benefit for charitable contributions in 2025 ($31,500 for married couples), consider a "bunching" strategy that combines two or more years of giving before year-end which them makes itemizing advantageous.
    - ***This strategy can be even more beneficial this year with the new floors and ceiling on charitable deductions taking effect in 2026.***

- Utilize qualified charitable distributions (QCDs) from Individual Retirement Accounts (IRAs): If you or your spouse is over age 70 ½, so-called IRA rollovers or QCDs are an attractive option that permits you to transfer up to $108,000 per person this year from your individual retirement accounts directly to a charity, free of any income tax.
    - ***QCDs are an effective charitable giving strategy especially for those who do not itemize their deductions. In addition, such rollovers help satisfy pension law requirement minimum distributions (RMDs) if you've reached the age when such distributions must be taken into income (generally age 73).***

Note that QCDs also remove these retirement assets from any potential estate tax exposure. Additionally, Congress recently expanded the IRA rollover to allow for a one-time-up-to $53,000 distribution to fund a ***charity gift annuity*** (available to JFO Foundation) that can pay you a fixed amount of money each year for life. Your Federation Endowment Professionals can provide you with more information on these options.

- Gifting assets to younger generation or others: The annual gift tax exclusion for 2025 is $19,000 per recipient. ***Gifting assets is an effective way to both reduce your current taxable income as well as remove the assets from your estate***.

We are available to discuss these and other charitable giving strategies with you and your advisors, but please keep in mind that we do not provide tax advice. Please call the Jewish Federation of Omaha Foundation office to discuss, 402-334-6466.

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