



The New Policy Era May Reshape Nonprofit Giving and Payout Dynamics

Beginning in 2026, a series of federal tax law changes will fundamentally alter how individuals, corporations, and foundations approach charitable giving.

Enacted as part of the One Big Beautiful Bill Act (OBBBA) in July 2025, these provisions recalibrate the incentives that have historically supported philanthropy, introducing new thresholds, higher excise taxes for some endowments, and new restrictions that impact high-income donors.

Together, they signal a more complex and strategically demanding environment for nonprofits and their supporters.

The New AGI Floor Changes Donor Behavior

One of the most consequential shifts is the introduction of a 0.5 percent adjusted gross income (AGI) floor for itemized charitable deductions, effective for tax years beginning in 2026.

Under this rule, individuals may deduct charitable contributions only to the extent their total annual giving exceeds 0.5 percent of AGI. Corporations face a similar 1 percent floor based on taxable income. The law also caps the value of charitable deductions for high income taxpayers (those in the 37 percent tax bracket) at approximately 35 percent of the value given.

For donors who typically engage in consistent, incremental contributions, the initial segment of their annual giving may no longer yield any tax advantages. Analysts and tax professionals expect the new AGI floor to reduce the tax efficiency of smaller gifts and to encourage timing-based strategies, such as bunching multiple years of contributions into a single tax year to clear the threshold.

On a positive note, the law adds a new *universal charitable deduction*. This allows taxpayers who do not itemize access to a charitable deduction of \$1000 for single filers or \$2000 for those married filing jointly. The deduction applies only to cash gifts. Gifts to donor-advised funds (DAFs), gifts of appreciated securities, and donations of property are not included.

Qualified charitable distributions (QCDs) from IRAs are now inflation-adjusted to \$111,000 per taxpayer. These will likely be a focal point of planning conversations, as they remain one of the few ways to give without increasing AGI.

“We’re seeing a shift from habitual giving to more strategic, intentional giving,” says CAPTRUST Financial Advisor [James Ross](#). “When a deduction only kicks in after a hurdle, donors and nonprofits both have to be more deliberate about when and how gifts are made.”

Key Planning Strategies for Tax Efficiency

While the new AGI floors reduce the tax benefit of smaller, incremental gifts, they also increase the value of intentional planning. “The tools haven’t disappeared—but the margin for inefficiency is smaller,” says Ross. “Thoughtful structuring matters more now.”

A handful of charitable giving strategies can help increase tax efficiency for donors.

1. **Gift bunching:** Donors can consolidate multiple years of charitable contributions into a single tax year to exceed the deduction threshold. DAFs remain a flexible vehicle for this strategy, allowing donors to front-load deductions while maintaining the ability to support charities over time. However, bunching can create uneven cash flow for nonprofits and may reduce donors’ flexibility if personal or market conditions change.
2. **QCDs from IRAs:** QCDs continue to be one of the most tax-efficient ways to give, particularly for retirees, because they do not increase adjusted gross income. That said, QCDs are limited to IRA assets, apply only after age 70 1/2, and must be made directly to qualified charities. This limits their use in some giving strategies.
3. **Donating appreciated securities:** Donating securities can potentially eliminate capital gains tax while still generating a charitable deduction for the full fair market value of the asset. However, this strategy depends on having appreciated, transferable assets and may be less effective in volatile markets or for donors with concentrated positions.
4. **Maximizing the universal charitable deduction:** The new deduction creates a new planning opportunity for taxpayers who do not itemize. Although modest in size, the deduction can meaningfully offset giving for households that previously received no tax benefit at all, especially when paired with intentional cash-giving strategies. Because of its limited dollar



amount and restriction to cash gifts, however, the universal donation is unlikely to influence larger or more complex giving plans.

5. **Planning coordination:** For higher-income donors facing deduction caps, coordination across giving vehicles is becoming more important. Aligning cash gifts, appreciated assets, DAF contributions, and QCDs across tax years can help maximize after-tax impact while maintaining consistent nonprofit support. This level of coordination often requires more active tax planning and professional guidance, increasing complexity for both donors and advisors.

Tiered Excise Taxes Pressure Private University Endowments

For private universities with at least 3,000 students, the OBBBA imposed a new progressive excise tax structure based upon endowment assets per student. For endowments with assets equating to \$500,000 to \$700,000 per student, the rate stays at the previous flat rate of 1.4 percent. Those with \$750,000 to \$2 million per student will pay a 4 percent rate, and those with more than \$2 million per student will pay an 8 percent rate. The highest threshold (which was previously as high as 21 percent in some drafts) was stripped from the final version of the bill.

The statutory 5 percent minimum payout requirement still applies to other private foundations. For private universities, a higher excise tax consumes a larger share of that payout, effectively reducing dollars available for grants unless they choose to distribute more than the minimum. This dynamic is especially challenging for large endowments seeking to balance long-term sustainability with near-term mission needs.

“For large private university endowments, excise taxes are no longer just a rounding error,” says Ross. “They’re becoming a material budget line that boards need to factor into spending policy, liquidity planning, and grant pacing.”

Donor-Advised Funds Under the Microscope

DAFs continue to attract bipartisan attention, with policymakers debating payout timelines, transparency requirements, and whether DAF transfers should count toward private foundation payout obligations.

While no sweeping new statutory payout mandate has taken effect as of early 2026, IRS guidance on DAF distributions remains on the Treasury’s 2025–2026 Priority Guidance Plan, sustaining uncertainty for long-term planning.

DAF usage surged in 2025 as donors accelerated contributions ahead of the 2026 deduction limits, a trend widely reported by major DAF sponsors and financial media. “For nonprofits and foundations that rely on DAF inflows, this volatility underscores the need for more conservative pipeline assumptions, tighter gift agreements, and larger liquidity buffers,” says Ross.



Navigating the Transition

Taken together, these changes mark a new policy era: one that prioritizes budgetary offsets and oversight over broad-based incentives. For endowments, foundations, and nonprofits, the path forward requires close monitoring of regulatory developments, proactive donor education, and, where appropriate, engagement in sector advocacy to ensure policymakers understand the downstream effects on charitable capacity.

Those that adapt early will be best positioned to maintain donor confidence and mission impact in a more demanding philanthropic landscape.

Sources: [“2025-2026 Initial Priority Guidance Plan,”](#) IRS; [“One Big Beautiful Bill Act”](#)

Disclosure: This content is provided for educational purposes only, and does not constitute an offer, solicitation, or recommendation to sell or an offer to buy securities, investment products, or investment advisory services. Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness, or reliability cannot be guaranteed. Nothing contained herein constitutes financial, legal, tax, or other advice. Consult your tax and legal professional for details on your situation. This content was developed with the support of artificial intelligence (AI) tools to assist in ideation, content creation, and grammatical refinement. All final materials have been reviewed by CAPTRUST.

Legal Notice

This material is intended to be informational only and does not constitute legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes. It may not apply to all investors or all situations and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not guaranteed by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

© 2026 CAPTRUST Financial Advisors