



OBBBA Charitable Rules Update for 2026

First, a little background around charitable deductions may be helpful. Charitable donations are *below-the-line* itemized deductions. This means they impact the tax formula after your adjusted gross income (AGI) has been calculated.

A below-the-line deduction does help lower your taxable income but would not impact your AGI. Because of where they sit in the tax formula, the ultimate impact of below-the-line deductions depends on your tax bracket.

The amount of a deduction that can be used in a single year is based on the type of charity, the asset donated, and the individual's AGI. Unused deductions can be carried forward for up to five future tax years.

From a tax-planning standpoint, itemized deductions only benefit the individual taxpayer to the extent that they exceed the standard deduction for the year. All the itemized deductions for the year can be combined to exceed this threshold. Common itemized deductions are state and local taxes, mortgage interest, medical expenses, and charitable donations.

For example, in 2025, if a couple donated \$25,000 to charity and has other itemized deductions of \$15,000, their total itemized deductions would exceed the standard deduction. Therefore, they would get better tax benefits by itemizing, instead of claiming the standard deduction.

Instead of subtracting the standard deduction of \$31,500 from their AGI to determine their taxable income, they would be able to subtract \$40,000. This would ultimately end up lowering the taxes due.

New Charitable Deduction

A new charitable deduction is now available to those who are using the standard deduction. Direct cash donations to charity can now be deducted as an above-the-line deduction up to \$1,000 for those

who file as single and \$2,000 for those who file married filing jointly.

This new deduction, unlike the traditional charitable deduction, is an *above-the-line deduction*, which means it would be subtracted before AGI is calculated. This provides a more substantial benefit as it would be a dollar-for-dollar reduction on taxes due. Lowering AGI provides additional benefits as AGI is used for phase-out ranges on other deductions and benefits.

Donations to a donor advised fund (DAF) or private non-operating foundation are excluded from this deduction. With the current standard deduction, more than 87 percent of filers take the standard deduction instead of itemizing, according to the IRS.

Charitable Deduction Floor and Cap

If you typically itemize deductions, charitable donations now have a floor before the deduction can be used. This floor is 0.5 percent of the individual's AGI.

For example, in 2026, if the same couple donated \$20,000 and has an AGI of \$350,000, only the amount that exceeds the \$1,750 floor would count toward their itemized deductions. If they had the same \$12,000 in other itemized deductions, they would not benefit from itemizing in 2026 due to the impact of the charitable floor. This is because the \$20,000 charitable gift plus the \$12,000 additional deductions, minus the new charitable floor of \$1,750, is less than the new \$32,200 standard deduction.

The charitable floor has a more significant impact on higher-income donors as the floor is based on income. For example, an individual with an AGI of \$500,000 would have a charitable floor of \$2,500. The floor increases as AGI increases, providing a larger reduction in the amount of charitable donations that can be used as a deduction.

The new tax rules also create a cap on tax benefits for those who itemize charitable deductions at 35 percent, and for those in the 37 percent marginal tax bracket. Previously, an individual in the 37-percent bracket would be able to reduce their taxes due by 37 cents for every dollar of an itemized deduction. This new rule would cap that benefit at 35 cents for every dollar for these individuals, slightly muting the benefits for high income individuals.

Tax Strategy Considerations

Non-itemizers may want to consider how they make charitable donations and consider direct cash gifts up to the \$1,000/\$2,000 deduction, since this now provides a direct tax benefit that wasn't previously available.

Donors who itemize may want to consider the timing and amounts of their giving. Leverage *bunching* to concentrate donations in years where you can maximize the donation available.

As always, it's a good idea to consult your financial advisor. They can help you understand which

strategies suit your unique financial goals.

Sources: "[SOI Tax Stats Charities and Other Tax Exempt Organizations Statistics](#)," Internal Revenue Service, CAPTRUST research

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