

Philanthropic planning in 2025

Last call for a full deduction...Act now!

The One Big Beautiful Bill Act (the Act or the BBB) became law on July 4, 2025. Planning with some urgency for year-end 2025 can help you take advantage of tax benefits available for gifts to charity before changes take effect in 2026.

If you itemize deductions

For 2025, charitable contributions are only deductible as itemized deductions. Beginning in 2026, if you itemize, charitable contributions will be deductible only to the extent that they exceed 0.5% of your contribution base (the floor). For example, if your contribution base is \$200,000, the first \$1,000 of your charitable contributions would not be deductible. Also, if you pay income tax at the highest marginal tax rate (37%), in 2026, your itemized deductions will be limited to 35 cents on the dollar (as opposed to 37 cents).

To consider in 2025

- Bunch gifts into 2025; consider accelerating gifts you would have made in future years. Bunching increases itemized deductions in a single tax year so that itemized deductions would exceed the standard deduction. Increased limits for the state and local tax (SALT) deduction may increase your ability to itemize. Charitable contributions advanced into 2025 will avoid the 0.5% floor that begins in 2026
- Making charitable gifts of qualified, appreciated publicly traded stock, privately held stock or other non-cash assets may be more powerful in 2025 than in 2026. Making these gifts in 2025 will avoid the 0.5% floor and may provide future capital gains tax savings.
- If you don't presently know which charities you would like to receive your contributions, consider funding a donor-advised fund (DAF) or private foundation in 2025. Receive a charitable deduction in the 2025 tax year. Future transfers to other charitable organizations can be made from the DAF or foundation.
- Consider using a charitable remainder trust to diversify low basis, appreciated assets while retaining a stream of payments and receiving a charitable deduction in 2025.
- Be cognizant of your contribution base and carry-forward limitations. Beginning in 2026, your carry-forwards may be subject to the floor.



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Tax basis is important

If you itemize, when considering a donation of appreciated assets, consider whether you will obtain greater tax benefits by donating the appreciated asset to charity or selling the asset and giving cash.

- Gifts of cash to public charities (including donor-advised funds) may be deductible up to 60% of your contribution base.
- Gifts of appreciated assets to public charities have lower deduction limits but may avoid future capital gains taxes.
- There is no substitute for analysis.

If you don't itemize

Even if you don't itemize (electing to use the standard deduction) and don't receive a charitable deduction, you can still give to charity and receive tax benefits.

Qualified charitable distributions (QCDs)

If you are over 70½, making QCDs from your IRA directly to qualified charities can allow you to fulfil your charitable goals. Subject to limitations, you can donate up to \$108,000 in 2025 using QCDs.

- A QCD is not deductible for federal income tax purposes, but some or all of the QCD will be excluded from your gross income.
- If you are required to take a required minimum distribution (RMD), a QCD reduces the RMD amount that you must receive. A QCD is not included in income, therefore making a QCD can create a lower RMD and less income on which to pay tax. Many tax and benefit thresholds are measured from adjusted gross income (AGI). Too much AGI could cause you to miss out on benefits like the new \$6,000 deduction for seniors, cause you to pay a higher Medicare premium, or cause you to pay net investment income tax.
- You can make a one-time election to fund a qualified-split interest trust (charitable remainder trust, charitable lead trust, charitable gift annuity) with up to \$54,000 of a QCD in 2025. You and your spouse can receive a stream of payments from the trust with the remainder being paid to charity when you and your spouse die.



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Roth conversions

You may have considered converting your traditional IRA to a Roth IRA. The amount converted is ordinary income subject to tax. Combining a Roth conversion and a charitable gift may be more tax efficient in 2025 than in 2026.

A conversion/charitable deduction strategy can make sense in 2025:

- The Roth conversion generates income.
- Itemized charitable deductions in 2025 are not subject to the 0.5% floor (see above); additional income raises the floor.
- In 2026, at the top marginal rate, itemized deductions will be less valuable (see above).
- Do the analysis: If a Roth conversion is right for you, consider avoiding the 0.5% floor coming in 2026. Waiting a year may change the analysis.

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