

## Five OBBBA Tax-Law Changes Most Likely to Impact Charitable Giving

A mix of new incentives and limitations may prompt some adjustments to your existing donor strategy.



You're a regular charitable donor hoping for some tax breaks from Uncle Sam. But Congress passed a complicated new tax law in 2025 that may have an impact on some of those potential benefits. You may be wondering:

- Should I itemize my donations, or settle for an increasingly generous standard deduction?
- Can I deduct my high property taxes and still be rewarded for donating to my favorite charities?
- Will deductions from my donations be limited now that I'm in a higher tax bracket?

If you have similar questions about how the One Big Beautiful Bill Act (OBBBA) may impact your donation strategy, consider reaching out to your financial or tax professional for guidance.

### Overhauling the Previous Tax Overhaul

Many of OBBBA's provisions were designed to update or make permanent some of the rules enshrined in the 2017 Tax Cuts and Jobs Act (TCJA). Among other things, that law nearly doubled the standard deduction and reduced the incentive for many donors to itemize their contributions. The TCJA also capped the deduction for state and local taxes (SALT) at \$10,000 per return. Between 2017 and 2019, itemized charitable deductions dropped by some \$66 billion, according to the Giving USA Foundation and Indiana University.<sup>1</sup>

The OBBBA's changes to the TCJA's provisions produced a mixture of expansions and limitations for charitable donors. Who benefits from the new provisions largely depends on a variety of factors: whether you itemize, whether you're a senior citizen, or whether you're in a higher income-tax bracket. The OBBBA created five key areas that could impact your approach to charitable giving this year and beyond.

### Charitable Giving: Expansions

**1. Expanded SALT deduction:** The SALT deduction ceiling quadrupled from \$10,000 to \$40,000 for the 2025 tax year with a 1% annual cap increase—but only through the 2029 tax year, after which the \$10,000 cap returns (FIGURE 1). Until then, it's possible to itemize deductions for state and local taxes, mortgage deductions, cash and non-cash charitable gifts, and other allowable deductions in amounts that can potentially exceed even the enhanced standard deduction for some donors.

**Caveat:** For higher-income taxpayers earning between \$500,000 and \$600,000 in modified adjusted gross income (MAGI), the \$40,000 deduction limit is gradually phased out. For those earning above \$600,000 in MAGI, the \$10,000 ceiling remains.

### Key Points

- The One Big Beautiful Bill Act expanded some existing charitable deductions, made some temporary provisions permanent, and added some newer restrictions that largely affect higher-income donors.
- The \$10,000 cap on state-and-local-tax deductions has been quadrupled to \$40,000—a move that could benefit those who itemize deductions.
- Other tax-efficient tools, such as qualified charitable distributions (QCDs) and donor-advised funds, remain central to effective charitable giving.

**FIGURE 1**  
**SALT Deduction Limits Under OBBBA**

Tax Year	SALT Deduction Limit	MAGI Range for Deduction Phasedown*
2025	\$40,000	\$500,000 – \$600,000
2026	\$40,400	\$505,000 – \$606,333
2027	\$40,804	\$510,050 – \$612,730
2028	\$41,212	\$515,151 – \$619,191
2029	\$41,624	\$520,302 – \$625,716
2030 and later	\$10,000	N/A

\* SALT cap reduced by 30% of excess above MAGI threshold. Source: Kitces.com, 3/26.

**2. A modest sweetener for non-itemizers:** For married non-itemizers, the standard deduction can now be combined with an enhanced \$2,000 deduction for cash contributions to 501(c)(3) charitable organizations. The standard deduction for married joint filers increases from \$29,200 to \$31,500 for the 2025 tax year (FIGURE 2). This benefit enables married joint filers to enlarge their pre-tax deduction from \$31,500 to \$33,500 for the 2025 tax year.

**FIGURE 2**  
**Standard Deductions Under OBBBA vs. TCJA**

	2025 (TCJA)	2025 (OBBBA)	Standard + Charitable Deduction
Single	\$15,000	\$15,750	\$16,750 (standard + \$1,000)
Head of Household	\$22,500	\$23,625	\$24,625 (standard + \$1,000)*
Married Filing Jointly	\$30,000	\$31,500	\$33,500 (standard + \$2,000)

\*IRS documents thus far have been non-specific regarding a separate charitable contribution amount for head-of-household filers, suggesting those filers' charitable deductions will equal that of single filers. Sources: Kitces.com and Hartford Funds, 3/26.

**Caveat:** Property or other non-cash donations such as stocks are ineligible for this deduction. In addition, donor-advised funds (DAFs) can't be used.

**3. Using your IRA to donate—and save on taxes:** For tax filers 70½ and older, you can use a qualified charitable distribution (QCD) to donate pretax funds directly from traditional IRAs to qualified charities, thereby reducing your adjusted gross income (AGI). For those who are taking required minimum distributions (RMDs), you can use a QCD to count toward your RMD without adding to taxable income. This is a tax-efficient deduction you can use whether you itemize or take the standard deduction. For 2026, the QCD limit is \$111,000 for each IRA owner, and the total can include many separate donations.<sup>2</sup> Itemizers can still claim additional charitable deductions (within allowable limits) over and above the current QCD limits.<sup>3</sup> Unlike some of the new restrictions on charitable contributions (see below), QCDs are above-the-line deductions that directly reduce a taxpayer's AGI, potentially reducing the amount owed for the 3.8% surtax on net investment income or income-driven Medicare IRMAA (Income-Related Monthly Adjusted Amount) surcharges.

**Caveat:** QCD distributions must be processed before year end, and donors need to remember to subtract the amount of the QCD from their taxable IRA withdrawals on their tax return, since IRA sponsors aren't required to itemize QCDs on the 1099-R form. And, as noted, QCDs are only available to seniors of a certain age.



For married non-itemizers, the standard deduction can now be combined with an enhanced \$2,000 deduction for charitable contributions.

### Charitable Giving: Limitations

**4. Charitable-giving floor for high-net-worth (HNW) donors** – For itemizers, the new law puts a floor on charitable donations tied to 0.5% of adjusted gross income (AGI).

Example: If your AGI is \$500,000 and you want to donate \$6,000 to a charity, your charitable deduction will be reduced by 0.5%, resulting in a \$2,500 decrease (i.e., \$500,000 X 0.5%). You can still donate the entire \$6,000, but you can only deduct \$3,500 (i.e., \$6,000 - \$2,500).

**5. Charitable-giving ceiling for HNW donors** – The OBBBA limits the benefit of itemized deductions to the 35% bracket. High-income filers who would otherwise fit into the 37% bracket will be limited to itemized deductions at the 35% bracket, and many will no longer qualify for the additional \$40,000 SALT deduction.

Example: For a tax filer in the 37% tax bracket with an AGI of \$1 million, a pre-OBBBA charitable donation of \$100,000 would ordinarily confer tax savings of \$37,000. But with a deduction ceiling now set at the 35% tax-bracket level (combined with the 0.5% AGI limit—see item #4 above), the tax filer's benefit is reduced to \$33,250:

- Floor of 0.5% of AGI: \$5,000 (\$1 million X 0.5%)
- Charitable deduction: \$95,000 (gift amount minus floor amount)
- Tax benefit: \$33,250 (\$95,000 X 35% limit)<sup>4</sup>

### Other Considerations

Despite the many changes triggered by the OBBBA legislation, the numerous benefits of making charitable contributions through donor-advised funds (DAF) remain unchanged.

By bunching several donations earmarked for a broad mix of charities into a single DAF donation, the donor can receive a full deduction for the current tax year while instructing the DAF sponsor to distribute the proceeds in later years, on a schedule that makes sense for the donor. For example, some tax filers may opt to take an itemized DAF deduction for the current tax year and take the standard deduction in future tax years. Combining a DAF with a QCD (for taxpayers who qualify) could potentially enhance the tax efficiency of a giving strategy even more.

Lastly, high-net-worth tax filers concerned about the potential phase-out of the historically high gift and estate-tax exemptions included in the 2017 TCJA should know that the exemptions were extended by OBBBA—rising from \$13.99 million per individual in 2025 to \$15 million (\$30 million for married couples) for 2026 and beyond. Those exemptions are not just permanent; they'll also be adjusted annually for inflation starting in 2027. The top federal estate and gift-tax rate stays at 40% for amounts exceeding the exemption.<sup>5</sup>



The OBBBA limits the benefit of itemized deductions to the 35% bracket for high-net-worth donors.

**Talk to your financial or tax professional to help you develop a charitable giving strategy that works for you.**

<sup>1</sup>Wall Street Journal, "Get Ready for New Rules on Tax Breaks for Charitable Giving," 7/25/25.

<sup>2</sup>Wall Street Journal, "How Seniors Can Donate More to Charity and Pay Less in Taxes," 12/13/24.

<sup>3</sup>Fidelity Charitable, "What Is a Qualified Charitable Distribution?", 2025.

<sup>4</sup>Capital Group, "How the One Big Beautiful Bill Act (OBBBA) Impacts Year-End Tax Planning," 2025.

<sup>5</sup>Citizens Private Bank, "Why You Should Plan for the Estate Tax Exemption Now—The Rules Have Changed, and the Window Is Open," 2025.

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