

## New Charitable Giving Rules

**Take-Away:** With the Big Beautiful Bill (I'm going to get sick when I keep typing that title) Congress changed the charitable giving deduction rules. It remains to be seen what the impact these new rules will have on incenting individuals and corporations to continue to give to charities.

**Background:** Buried in the 900+ pages of the BBB bill (which most in Congress did not read before voting for it) are new provisions to incent, or perhaps curb, charitable giving.

**The Good:** The BBB gives a new 'above the line' charitable deduction for individuals. Under Section 70424 of the BBB an individual may deduct up to \$1,000 for charitable gifts and still claim the standard deduction. For a married couple this means that they can take a charitable deduction of up to \$2,000 above the line and still claim the standard deduction on their joint income tax return.

**The Bad:** Section 70425 of the BBB sets a 0.5% adjusted gross (AGI) floor for itemized deductions for individuals. Accordingly, only charitable gifts above half a percent of the individual's AGI will count towards the itemized charitable deduction. For those individuals who are on the margin of itemizing their tax deductions for the year and forgoing claiming the standard deduction, those donors may have little incentive to give to charity when confronted with this floor.

**The Bad:** Section 10111 of the BBB limits the benefit of itemized deductions at the 35% marginal income tax rate, even if the donor is in the 37% income tax bracket.

**The Bad:** Charitable giving by corporations is also curtailed. Under Section 70426 a corporation is denied any charitable deduction for the first 1% of its taxable income given to charity. The prior 10% ceiling on charitable deductions remains in place under the BBB, but now that it is paired with the 1% floor, that shrinks the 'window' in which charitable deductions can be claimed by corporations, while any excess deduction can be carried forward by the corporation to future years, you have to wonder if a corporation will make large gifts just because the excess can be carried over to future years.

**Conclusion:** At a time when the government seems to be backing away from financing social welfare programs, more individuals will be looking to local charities for help. It is not clear if charities will also suffer from these new charitable deduction rules if a donor has less incentive to engage in charitable giving. I guess only time will tell.

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