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CPAs & WEALTH ADVISORS



Tax Changes for Charitable Contributions

Charitable Contributions for Individuals

This month we want to bring your attention to some major changes to charitable contributions for individuals because of the One Big Beautiful Bill (OBBB) Act signed into law on July 4, 2025, by President Trump.

Background

- In general, an individual may claim an itemized deduction for contributions to a qualified charitable organization.
- The charitable deduction for any tax year is limited to a percentage of the taxpayer's contribution base determined by the type of organization receiving the donation and the type of property donated.
- The contribution base is the taxpayer's adjusted gross income (AGI), calculated without considering the charitable deduction itself.
- Any amount in excess of the percentage limitation for the tax year may be carried forward for five years.

New Law Explained

Under the 2017 Tax Cuts and Jobs Act (TCJA), the percentage limitation on the charitable deduction contribution base was increased from 50% to 60% of an individual's AGI for cash donations to public charities in 2018 through 2025. Now, under the OBBB, the increased contribution limitation for cash gifts made to qualified charities is permanently extended. As a result, for tax years after 2017, the percentage limitation on the charitable deduction contribution for cash donations to public charities is 60%.

Under the TCJA, for tax years beginning in 2020, an individual could claim an above-the-line deduction in computing AGI of up to \$300 for any qualified charitable contribution made during the year. For tax years

beginning in 2021, an individual who did not elect to itemize deductions could claim an adjustment to AGI of up to \$300 (\$600 in the case of a joint return) for charitable contributions made in cash during the year. Now, under the OBBB, the deduction for taxpayers who elect not to itemize is expanded and permanently reinstated. Specifically, for tax years after December 31, 2025, non-itemizing taxpayers can claim a deduction as an adjustment to AGI of up to \$1,000 for single filers (\$2,000 for married filing jointly) for certain charitable contributions.

The OBBB Act also creates a 0.5% floor on charitable contributions for taxpayers who elect to itemize on their returns for tax years after December 31, 2025. Taxpayers must reduce the amount of their charitable contributions for the tax year by 0.5% of the taxpayer's contribution base for that year (AGI).

This alert covers only the surface level of the tax rules related to charitable contributions for individuals that could potentially benefit you or your family. The tax rules in this area are complex and there are many issues to consider in taking advantage of charitable contributions for individuals. Please contact us if you have questions, want more information, or would like us to help you with charitable contributions for individuals so that by working together we can deliver the best tax results for you.

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