

Charitable Giving After OBBBA (Effective 2026)

The One Big Beautiful Bill Act (OBBBA) made meaningful changes to how charitable contributions are treated for tax purposes. While charitable giving remains an important planning tool, the law shifts the focus toward intentional sequencing and broader Adjusted Gross Income (AGI) management.

Key Change: New 0.5% AGI Floor on Itemized Deductions

Beginning in 2026, itemized charitable deductions are allowed only to the extent total charitable gifts exceed 0.5% of Adjusted Gross Income (AGI). The first 0.5% of AGI given to charity does not generate an itemized deduction. This floor applies every year and permanently reduces the tax benefit of itemized charitable giving.

Why AGI Matters More Than Ever

Under OBBBA, charitable planning has shifted from deduction-first to AGI-first. AGI now directly impacts Medicare IRMAA premiums, Roth conversion capacity, income-based phaseouts, and the new charitable deduction floor itself. As a result, charitable strategies must be coordinated with other AGI-reduction techniques such as Roth conversions, tax-loss harvesting, and asset location.

Recommended Charitable Planning Sequence

Layer 1: Qualified Charitable Distributions (QCDs) – Age 70½ +

- Direct transfers from an IRA to a qualified charity
- Excluded from income and reduce AGI dollar-for-dollar
- Can satisfy Required Minimum Distributions (RMDs)
- Completely bypass the 0.5% AGI charitable floor
- No itemization required

Layer 2: Above-the-Line Charitable Deduction (All Taxpayers)

- \$1,000 deduction for single filers; \$2,000 for married filing jointly
- Applies to cash gifts made directly to public charities
- Available whether or not deductions are itemized
- Reduces AGI directly

Layer 3: Itemized Charitable Giving (Strategic Use Only)

- Deductible only after charitable gifts exceed 0.5% of AGI
- Most effective when gifts are intentionally bunched
- Often paired with donor-advised funds or high-income years
- No longer the default charitable strategy under OBBBA

Bottom Line

OBBBA did not eliminate the value of charitable giving, but it fundamentally changed the sequencing. Using QCDs first, above-the-line deductions next, and itemized giving strategically—

while coordinating with other AGI-reduction strategies—can preserve tax efficiency while continuing to support charitable goals.

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