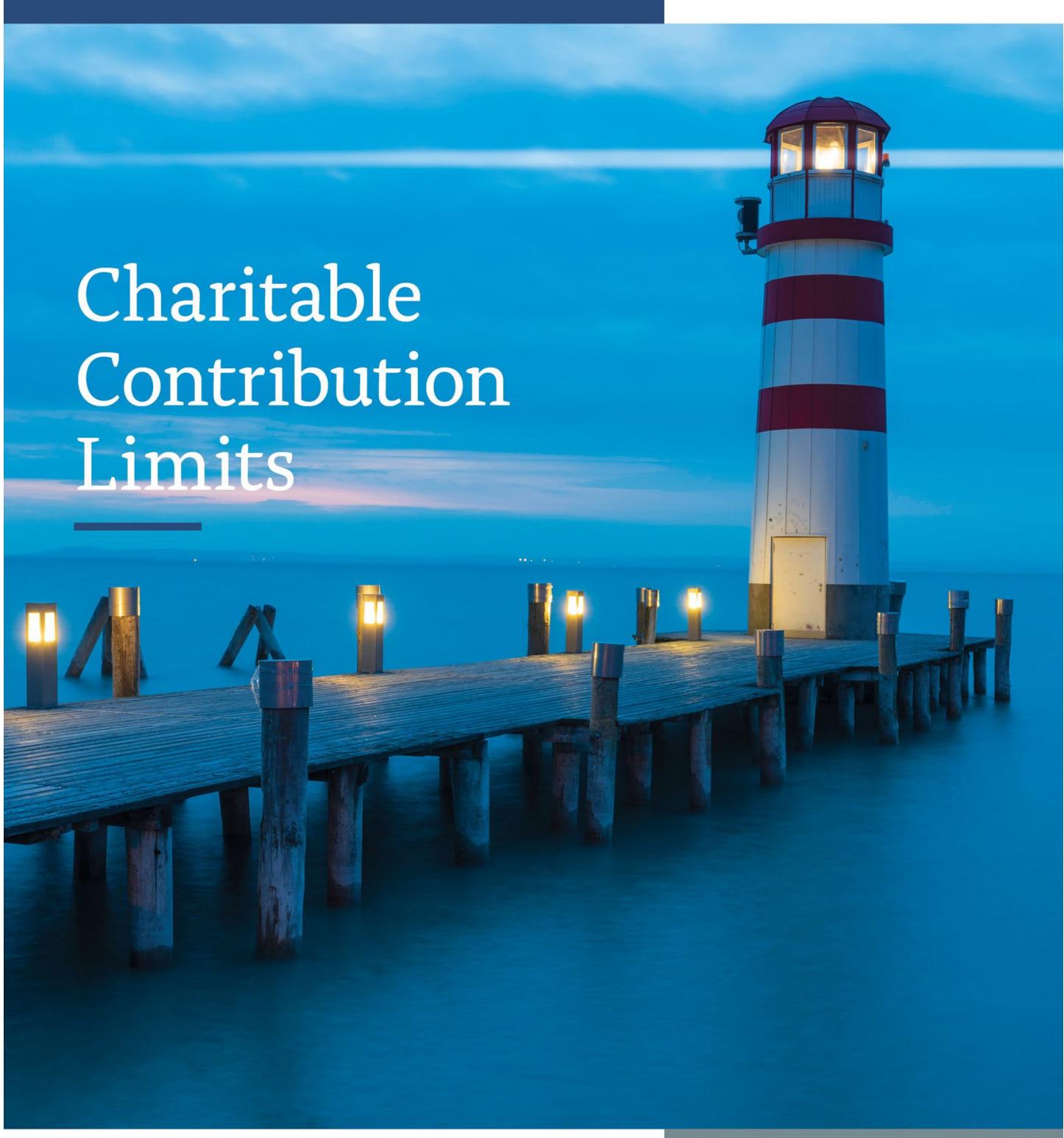




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# Charitable Contribution Limits

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# Charitable Contribution Limits

## Income tax benefits of charitable giving

Donating to charity can have a major impact on a person, and in several ways too. Donating can be a major mood-booster; the knowledge that the donor is assisting others is very empowering and can make the donor feel content and fulfilled. Apparently, the seasoned adage – it is far better to give than to receive – is accurate.

Aside from the impact on the donor's psyche, charitable giving also provides benefits in the form of income tax deductions, which are subject to the general limits provided below.

## Income tax deduction limits for charitable contributions as a percentage of adjusted gross income

<b>Cash</b>	
<b>60%</b>	To public charity. <sup>1</sup>
<b>30%</b>	To private foundation.
<b>Appreciated Long-Term Property</b>	
<b>30%</b>	To public charity. <sup>1</sup>
<b>20%</b>	To private foundation.
<b>Short-Term Capital Gain Property</b>	
<b>50%</b>	To public charity <sup>1</sup> – limited to cost basis in property.
<b>30%</b>	To private foundation – limited to cost basis in property.
<b>Gift to Charitable Remainder Trust</b>	
<b>50%</b>	Gift of cash if it passes outright to a public charity at end of the non-charitable term.
<b>30%</b>	Gift of appreciated property if it passes outright to public charity at end of the non-charitable term.
<b>30%</b>	Gift of cash if it passes (or may pass) to a private foundation at end of the non-charitable term.
<b>20%</b>	Gift of appreciated property if it passes, or may pass, to a private foundation, limited to cost basis except publicly traded stock.
<b>Gifts to a Charitable Lead Trust – Grantor Trust</b>	
<b>30%</b>	Gift of cash or appreciated property if charitable beneficiary is a public charity.
<b>20%</b>	Gift of cash or appreciated property if charitable beneficiary is a private foundation, limited to cost basis except public traded stock.

## Miscellaneous rules regarding charitable contributions

In addition to the deduction limits set forth above, other rules exist regarding charitable contributions that can impact the amount available for deduction.

<sup>1</sup> Includes community foundations and donor advised funds.

## Ordering rules

When charitable contributions of more than one type of property are made, the property must be considered in a certain order when determining the deductibility of the contribution.

- Gift of cash and appreciated long-term gain property: Cash is counted first, then appreciated long-term gain property.
- Gift to public charity and private foundation: Gifts to private foundations deducted only after gifts to public foundations.
  - **Example:** Taxpayer has adjusted gross income of \$100,000. Taxpayer contributes \$30,000 cash to public charity. Taxpayer can also contribute \$30,000 to private foundation (30% limit). Taxpayer remains within the 60% limit for cash contributions. If Taxpayer gives more than \$30,000 in cash to public charity, then Taxpayer must give less cash to private foundations to remain within the 60% limit for cash contributions and be able to take the full charitable deduction in the same year.
- There exists a five-year carry-forward rule for the amount greater than of the deduction limits.
- In a year, current gifts are counted first and then any carry-forward gifts may be included.

## Gift of life insurance policy to charity

- To be deductible, the charity must have an insurable interest under state law.
  - A charity will have an insurable interest in its officers, members of its Board of Directors (sometimes called Board of Trustees), and in most jurisdictions, its major donors.
- Charity must own all rights and incidents of ownership in the policy.
- The deduction is the lesser of the policy fair market value or the donor's cost basis in the policy.
- If the life insurance policy or policies are valued at over \$5,000, a qualified appraisal must be obtained, and donor must follow applicable reporting requirements.
  - Must file Form 8283, Noncash Charitable Contributions.
  - The insurance agent and the life insurance company cannot prepare or provide the appraisal.
- If the life insurance policy has an outstanding policy loan, then contribution is treated as a bargain sale (part sale/part charitable gift).
  - Donor would have an income tax liability for any ordinary gain on the sale portion and an income tax deduction for the lesser of the fair market value or the adjusted cost basis for the non-sale gift portion.
  - The donor's adjusted basis is allocated between the sale portion and the non-sale gift portion (See Treasury Regulation §1.1011-2, Bargain sale to a charitable organization)

## Direct payment of premiums to insurance company on life insurance policy owned by charity

- 30% if cash contributed to public charity.
- 20% if cash contributed to private foundation.
  - Contribute the cash to the charitable organization directly; do not pay the insurance company.

## The One Big Beautiful Bill Act of 2025 – Key provisions for charitable planning

**Deduction for non-itemizers (effective January 1, 2026):** Taxpayers who take the standard deduction can now claim an above-the-line deduction for cash contributions of up to \$1,000 (single filers) or \$2,000 (joint filers) annually. This aims to incentivize giving among the roughly 86% of taxpayers who do not itemize.

**Itemized deduction floor for individuals (effective January 1, 2026):** For itemizing taxpayers, contributions are deductible only to the extent they exceed 0.5% of their adjusted gross income (AGI). For example, a taxpayer with a \$1 million AGI must have over \$5,000 in donations before any amount is deductible. Amounts disallowed by the floor can be carried forward for five years, but only if the total contribution also exceeds the existing AGI limits.

**Cap on total itemized deductions for high earners (effective January 1, 2026):** For taxpayers in the highest 37% tax bracket, the overall tax benefit of their itemized deductions is capped at 35% of the deduction's value. This effectively reduces the tax savings on their charitable gifts.

**Permanent 60% AGI limit for cash gifts:** The Act makes permanent the rule allowing individuals to deduct cash contributions to public charities up to 60% of their AGI.

**Estate and gift tax exemption increase (effective January 1, 2026):** The federal estate, gift, and generation-skipping transfer (GST) tax exemption is permanently raised to \$15 million per person (or \$30 million per married couple), adjusted for inflation. This reduces the number of estates subject to federal estate tax, making estate-based charitable planning a focus primarily for the ultra-wealthy.

**Corporate deduction floor (effective January 1, 2026):** Corporations are subject to a new floor, where deductions are allowed only for contributions exceeding 1% of their taxable income, up to the existing 10% limit.

**New tax credit (effective January 1, 2027):** A new non-refundable tax credit of up to \$1,700 is available for contributions to scholarship-granting organizations/

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As a result of H.R.1 of the 119th Congress (commonly known as the One Big Beautiful Bill Act), the estate, gift, and generation skipping tax exemptions amounts enacted under the Tax Cuts and Jobs Act of 2017 were made permanent. Effective January 1, 2026, the exemption amount will be \$15 million per person (\$30 million for a married couple), with annual adjustments for inflation. For asset transfers in excess of the applicable exemption amount and otherwise subject to such taxes, the highest applicable federal tax rate remains at 40%. In addition, under different rates, rules, and exemption amounts (if any), there may be state and local estate, inheritance, or gift taxes that apply in your circumstances. Please consult your own tax or legal advisor for advice pertaining to your specific situation. © 2020 New York Life Insurance Company. All rights reserved. These materials are prepared by The Nautilus Group®, a service of New York Life Insurance Company, and are made available to all Nautilus Group member agents, and as a courtesy, to select agents of New York Life Insurance Company. SMRU 5016261 Exp. 12/31/2028