

## Charitable Giving & Taxes: What You Need to Know in Light of the New OBBB Act

Charitable giving is often framed as a win-win: support a cause you care about and potentially reduce your tax bill. But the relationship between charitable donations and tax benefits is more nuanced than many realize. With the recent passage of the *One Big Beautiful Bill* (OBBB), some of those rules are changing again—especially for households that don't itemize their deductions.

Here's what you need to know about the new deduction, the reality of how most Americans donate, and how advanced strategies like **Donor-Advised Funds (DAFs)** and **Qualified Charitable Distributions (QCDs)** can enhance your charitable impact.

### The OBBB Act: Above-the-Line Charitable Deductions Return in 2026\*\*

Starting in the **2026 tax year**, non-itemizers will once again be able to deduct charitable contributions thanks to the new provision within the *One Big Beautiful Bill* (OBBB). Specifically:

- ◆ **Single filers** can deduct up to **\$1,000**
- ◆ **Married couples filing jointly** can deduct up to **\$2,000**
- ◆ This deduction is **above-the-line**, meaning it reduces your Adjusted Gross Income (AGI) whether you itemize or not.
- ◆ The deduction is **not indexed for inflation**

This marks the first return of a universal charitable deduction since the temporary \$300 deduction allowed under the CARES Act in 2020. That provision was incredibly popular—**about 90 million taxpayers claimed it** in its first year alone. Lawmakers are clearly hoping for a similar result with this updated provision.

### Why Most Donations Don't Lower Your Tax Bill

Charitable giving has long been *technically* tax-deductible—but **only for households that itemize** their deductions. Since the Tax Cuts and Jobs Act (TCJA) significantly increased the standard deduction in 2018, **fewer than 10% of households itemize** today.\*\*

#### What that means:

If you take the standard deduction (like most people), you typically receive *no additional tax benefit* for making charitable donations—unless you qualify for a provision like the one introduced in OBBB.

**Takeaway:** Giving is a powerful and meaningful act, but it's important not to overstate the tax benefits if you don't itemize. For most households, charitable giving is not a lever for tax savings—but rather a reflection of personal values.

### Advanced Giving Tools: DAFs and QCDs

For those with more complex financial situations, or those looking to make a larger impact, two tools stand out: **Donor-Advised Funds (DAFs)** and **Qualified Charitable Distributions (QCDs)**.



## Donor-Advised Funds (DAFs)

A **DAF** is like a charitable investment account. You contribute money or appreciated assets (like stocks), receive an immediate tax deduction if you itemize, and then recommend grants to charities over time.

- ◆ Ideal for **bunching donations** in high-income years to exceed the standard deduction threshold and itemize.
- ◆ Useful for donating **appreciated assets** to avoid capital gains tax.
- ◆ Offers flexibility—you can give when you're ready, even years later.

## Qualified Charitable Distributions (QCDs)

A **QCD** allows individuals **age 70½ or older** to donate **up to \$108,000 per year** directly from an IRA to a qualified charity.<sup>\*\*\*</sup>

- ◆ Counts toward your **Required Minimum Distribution (RMD)**, but is **not taxable**.
- ◆ Allows for a **tax-efficient withdrawal** from pre-tax retirement accounts.
- ◆ Especially helpful for retirees who no longer itemize but still want to support charitable causes in a tax-smart way.

## Final Thoughts

Charitable giving will always be more about values than deductions—but that doesn't mean you shouldn't give thoughtfully. The **OBBB Act's new deduction** gives all taxpayers—whether they itemize or not—a small incentive to give. But for those looking to maximize their impact or manage a larger financial picture, **DAFs and QCDs** provide additional, strategic ways to give.

If you're unsure how to best integrate charitable giving into your financial plan—whether through direct giving, DAFs, QCDs, or the upcoming OBBB provision—a conversation with a financial advisor can help you navigate your options.



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*\*\* [One Big Beautiful Bill: Impact on Charitable Giving | Fidelity Charitable](#)*

*\*\*\* <https://www.fidelity.com/retirement-ira/required-minimum-distributions-qcds#:~:text=What%20is%20the%20limit%20for,with%20no%20minimum%20amount%20required>*