



## Navigating the 2025 Tax Law: Strategic Guidance for Nonprofits Changes You Should Make Now to Finish the Year Strong

### ★ 2025 Tax Law Changes That May Impact Individual Charitable Giving

- **Charitable Deduction for Non-Itemizers**

Up to \$1,000 (single) or \$2,000 (married/filing jointly) cash gifts can be deducted annually **without needing to itemize**. This was a temporary COVID provision that became **permanent in 2026**. This is only for people taking the standard deduction.

Takeaway: Many donors who don't itemize are unaware of this policy. Inform new donors of this easy tax break to inspire generosity.

- **New Limits on Charitable Deductions for Itemizers**

Starting in 2026, the **first 0.5% of your AGI (Adjusted Gross Income) is not deductible** when you give to charity.

**Example:**

- AGI = \$75,000 → First \$375 not deductible
- AGI = \$200,000 → First \$1,000 not deductible
- AGI = \$800,000 → First \$4,000 not deductible

Donors may deduct gifts **exceeding 0.5% threshold**, subject to the IRS limits below.

Takeaway: This new limit is making headlines and may spook donors. Get ahead of their reaction and educate donors on the most tax-efficient ways to donate. Focus them on other aspects of the 2025 Law that will encourage generosity. Read on below to educate yourself on how the standard deduction, the SALT expansion, and other changes might offset the negatives and work in your favor.

- **Standard Deduction Permanent**

The higher standard deduction set in 2017 is now permanent (no expiration), adjusts for inflation, and is now \$16,100 (single) and \$32,200 (married/filing jointly).

- **SALT<sup>1</sup> Deduction Expanded**

The 2017 tax law drastically lowered many taxpayer deductions to \$10,000 max. Taxpayers who had been itemizing no longer had the incentive to do so. With the 2025 tax law, the SALT deduction cap is now raised to **\$40,000** for those with AGI < **\$500,000**. However, the cap is on a downward sliding scale for those with AGI > \$500,000. Starting in 2030, it will revert back to \$10,000.

Takeaway: The higher standard deduction (now permanent) limits a donor's ability to claim deductions (without other reasons to itemize). But good news! The expanded SALT cap provides many more households with an incentive to itemize their taxes, which could increase the number of donors and the size of gifts, at least until 2030.

- **Qualified Charitable Distributions (QCDs)**

A QCD enables individuals 70½+ to make tax-deductible donations to charities from their IRA. Individuals aged 73 and older must begin making Required Minimum Distributions (RMDs) annually from their IRAs, which are normally taxed as income. Donors as young as 70½ can charitably donate some funds from their IRA (including inherited IRAs). Encourage donors 70½ + to donate up to \$111,000 in **Qualified Charitable Distributions (QCDs)** from IRAs. Double that if you can get a joint household to donate that way.

**Takeaway:** QCDs remain the most tax-efficient way for donors who qualify.  
Educate your donors!

- **Contribution Limits Based on Gift Type**

**Cash gifts:** Up to **60% of AGI**

**Stock gifts:** Up to **30% of AGI**

**In-kind gifts:** Up to **50% of AGI**

All are subject to the **0.5% AGI floor**

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<sup>1</sup> The **SALT deduction** allows taxpayers who itemize their federal tax returns to deduct certain state and local taxes.

**Takeaway:** Donations exceeding these limits can be carried forward as deductions for up to five years. Inform your donors.

- **The New Role of Donor-Advised Funds (DAFs)**

A donor receives the tax benefit the year they move funds into a DAF, NOT the year the DAF funds are donated to a nonprofit. This fact remains unchanged. However:

- If AGI < \$500K → eligibility for a higher SALT deduction (especially in high-tax states) may incentivize donors to itemize, making the need to open a DAF less compelling.
- If AGI > \$500K → DAFs are still very useful to **bundle giving and maximize tax benefits**. Consolidating multiple years of anticipated charitable donations into one year means that the donor is restricted by the 0.5% floor only in the year when they move funds to their DAF, rather than every year they make gifts.

**Takeaway:** Educate your major donors about this tax-efficient consolidating strategy, which has a major impact on the tax deductibility of their gifts under the 2025 Tax Law

## ★ 2025 Tax Law Changes That May Impact Corporate Giving

- **New Limits on Charitable Deductions**

Corporations can deduct charitable giving. However, beginning 2026, the **first 1% of ATI (Adjusted Taxable Income)** given to nonprofits annually is **not deductible** and capped at 10%. Applies to **C-Corps only**, not S-Corps or partnerships. CodeSec.170(b)(2)

**Example:**

C-Corp with \$50,000,000 ATI, 1% ATI = \$500,000, 10% cap \$5,000,000

- \$400,000 in donations → \$0 deductible
- \$501,000 in donations → \$500,000 not deductible, \$1000 deductible
- \$5,000,000 in donations → \$500,000 not deductible, \$4.5 mm deductible, maximum allowable deduction for the year.
- \$7,000,000 in donations → \$500,000 not deductible, \$4.5mm deductible, maximum allowable deduction for the year, \$2mm carried forward up to 5 years.

Charitable contributions disallowed either for exceeding the 10% maximum or failing to reach the 1% threshold can be carried forward for five years. (Code Sec. 170(d)(2))

**Takeaway:** The new floor for C-Corps is going to discourage small-to-midlevel corporate sponsorship, but we have workaround strategies for you. Read on....

## Changes You Should Make Now to Finish the Year Strong

★ These tax law changes may very well influence a donor's generosity towards your nonprofit. Your team should review these tax laws to make sure you understand the new terms and can discuss them with donors confidently and influence their giving.

Terms to know inside + out: Standard deduction vs. Itemization; Required Minimum Distribution (RMD); Individual Retirement Account (IRA); Donor Advised Fund (DAF); SALT

### 1. **Make non-itemizer deduction matter.**

Educate donors on this accessible tax-deductible option. Even non-itemizers can deduct \$1,000–\$2,000 in charitable gifts starting in 2026. Beyond the above-line deduction, lower- and middle-incomers may no longer have tax incentives to donate.

### 2. **Have faith – more donors may itemize again, especially in high-tax states.**

The SALT cap increase to \$40,000 (for AGI under \$500K) makes itemizing worthwhile again. That could restore some tax benefits for your donor base.

### 3. **Guide major donors to consolidate gifts or use DAFs more strategically.**

Donors with high AGI may use **Donor-Advised Funds (DAFs)** to consolidate multiyear giving in one year, minimizing the impact of the 0.5% floor across multiple years. Educate your major donors on using this strategy!

### 4. **Aggressively pursue QCDs by informing older donors of this tax-efficient method.**

Encourage donors 70½ + to donate **Qualified Charitable Distributions (QCDs)** from IRAs, which are not taxed and satisfy their Required Minimum Distributions (RMDs). This year, individuals at least 70½ years old can donate up to \$111,000 from their IRA to qualified charities while also lowering their AGI.

### 5. **Help C-Corp sponsors reposition their funding as a marketing expense.** The new 1% floor on C-corp giving eliminates the tax deduction on the first portion of a company's charitable giving. Repositioning your sponsorship as a marketing expense sidesteps the issue by providing strong documentation including proof of payment, photos, marketing materials, or event visuals and evidence of business outcomes. Or consider multi-year sponsorships paid in a lump sum to offset the annual 1% floor.



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6. **Keep a close eye on shifting employee matching benefits policies.** The 1% floor may prompt some corporations to eliminate or reduce employee matching benefits. If you depend on this gift type, anticipate changes. Time will tell.
7. Know the difference between C-Corps vs. S-Corps and partnerships (whose tax deductibility eligibility aligns with individual taxpayers) S-Corp and partnership companies tend to be privately-held firms and professional services firms. Most states have a **Secretary of State (SOS) business search**, which will indicate whether a business is a corporation or not. Understanding entity structure will help you tailor appeals.
8. Tell your lapsed donors how tax smart they are by waiting to make their donation in 2026, and ask them to give now to take advantage of the new tax benefit for those taking the standard deduction (\$1,000 single /\$2,000 married)

### More Action Steps!

- **Educate your donors.** Most people aren't aware of these changes, especially the 0.5%/1% floors. Offer briefings, webinars, or handouts (like this one).
- **Promote tax-smart giving tools.** Emphasize QCDs, DAFs, and appreciated stock gifts in your year-end and major donor communications.
- **Talk to your corporate partners.** If they are C-corps, help them understand how to structure their giving to retain deductibility.
- **Refine segmentation.** Focus high-touch stewardship on donors most likely to exceed new deductibility thresholds.
- **Deepen your relationships across the board.** You want to have intelligent, tax-smart conversations with donors. They are donating to you because of your mission, not the tax deductibility, but it is an influential factor.



## Individual Giving Example

| AGI       | 0.5% Floor | Deductible Portion of \$5,000 Gift |
|-----------|------------|------------------------------------|
| \$200,000 | \$1,000    | \$4,000                            |
| \$500,000 | \$2,500    | \$2,500                            |
| \$800,000 | \$4,000    | \$1,000                            |

## Corporate Giving (C-Corp with \$50,000,000 ATI)

| Gift Amount | 1% Floor (\$500K) | Cap (10% = \$5M) | Deductible This Year | Carryforward |
|-------------|-------------------|------------------|----------------------|--------------|
| \$400,000   | Not met           | —                | \$0                  | \$0          |
| \$600,000   | Met               | Below Cap        | \$100,000            | \$0          |
| \$6,000,000 | Met               | Exceeds Cap      | \$5,000,000          | \$500,000    |



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