Caught By Surprise? In Case You Missed It, Here's What's Going On

Keeping up with an ever-evolving landscape of tax legislation can be a full-time job! Many attorneys, CPAs, and financial advisors regularly ask the Chester County Community Foundation to provide a refresher course on the potential tax changes on the horizon in 2025, especially those that might impact charitable planning techniques.

Here's a quick rundown of three things you need to know:

1. Sunsetting provisions of the Tax Cuts and Jobs Act of 2017.
The TCJA's scheduled expiration at the end of 2025 will revert key tax policies to pre-2017 levels, potentially affecting charitable giving incentives. **For example, the top individual tax rate is scheduled for a bump from 37% to 39.6%, potentially increasing the benefits of charitable tax deductions for your high-income clients. At the same time, the limit for cash donations to public charities is slated to drop from 60% of AGI to 50%, reducing the deduction for some of your clients.** Finally, the **estate tax exemption is scheduled to drop to approximately $7 million per individual.** Because the exemption would nearly be cut in half, and therefore more estates would be subject to tax, a larger subset of your **clients could benefit from charitable bequests to avoid estate tax.** All of this assumes, of course, that intervening legislation won't prevent the sunset.

2. Potential expansion of charitable deduction.
Proposals like the Charitable Act aim to introduce a **universal deduction for non-itemizers**, broadening tax incentives for your clients across income levels. The bill is still popular among industry leaders and appears to have maintained momentum since it was introduced.

3. Consequences remain to be seen.
Above all, the 2025 "cliff" may trigger the first major tax code rewrite in decades, which in turn surely would have a ripple effect in many areas of your clients' lives, including within the charities your clients support. Post-TCJA, for example, charitable giving dropped by as much as $20 billion, according to one study, in the wake of reduced tax benefits.

The bottom line here is that we've got you! The team at the Chester County Community Foundation stays on top of legal developments at the intersection of tax policy and charitable giving. We keep our fingers on the pulse of potential implications for you, your clients, and the charities they support, and we are here to help you navigate the changes.

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