More Questions Than Answers: Pending Tax Legislation

There's little doubt that you've seen extensive news coverage of the so-called "Big Beautiful Bill" (H.R. 1) that passed the House of Representatives by a 215-214 vote on May 22, 2025, and now moves to the Senate, where significant changes are expected before final passage. And that is the primary takeaway here: *Significant changes are expected*. This makes it impossible to predict right now how your clients might be impacted by tax law changes.

Still, it's important to be aware of key components of the bill that could impact estate and financial planning. Three key provisions rise to the top as advisors consider how their charitable clients might be affected:

No sunset of estate tax exemption

The bill makes permanent the expiring 2017 tax cuts under the Tax Cuts and Jobs Act (TCJA). This means that the much-anticipated sunset of the increased estate tax exemption might not happen at the end of this year after all. If the estate tax exemption remains high, a smaller segment of your clients will be motivated to use charitable giving as a way to avoid estate tax. Still, though, because people rarely give to charity solely for tax avoidance purposes, your clients remain very interested in discussing charitable giving and incorporating philanthropy into their estate and financial plans.

Standard deduction stays high

Proposals in the bill would make permanent the higher standard deduction levels from the TCJA, and even add an additional temporary increase through 2028. The upshot here is that few taxpayers itemize their deductions, reducing the number of people eligible to claim a charitable deduction. The still-high standard deduction likely could signal continuation of the decline in charitable giving following the 2017 tax cuts. On the flip side, the bill introduces a modest "above-the-line" charitable deduction for nonitemizers—$150 for individuals and $300 for joint filers.

Increased taxes on private foundations

The bill sharply increases excise taxes on the investment income of large private foundations, raising rates from the current 1.39% to as much as 10% for the largest entities, although private foundations with less than $50 million in assets would see no change. What this means for your charitable clients is that private foundations may become less attractive. Many nonprofit leaders are concerned that this could impact charitable giving; it might also mean that donor-advised funds could become even more attractive. Certainly the Chester County Community Foundation remains committed to helping your clients establish donor-advised funds and other vehicles to actively support their favorite charities as well as ensure that critical local needs are addressed.

So what's next? The Senate is expected to begin its markup in June, with the process likely extending into July or August as both chambers reconcile differences before sending the bill to President Trump for signature.

As always, the Chester County Community Foundation will keep you posted! Please reach out anytime. Our team is happy to discuss options for your clients' charitable giving to ensure that they're supporting their favorite causes and important local needs in the most effective ways possible under any set of tax laws.

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