Timing is Everything: Mapping Out Clients' 2025 Charitable Giving Plans

It's never been easy to navigate the ever-shifting tax rules to help clients structure charitable gifts, and now it's even trickier. Major changes under the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, are creating complexity, opportunity, and, for some, urgency. The OBBBA reshapes both how much a client can deduct for charitable contributions and which clients can benefit from these deductions in the first place. Indeed, your clients might have read a recent *Wall Street Journal* article (subscription required) outlining major tax planning themes related to charitable giving.

As always, the team at the Chester County Community Foundation is honored to be your first call when the topic of charitable giving arises in client conversations. In most cases, the Community Foundation's tools can be useful, and if we can't help directly, we'll point you in the right direction.

Here are three key issues to discuss with philanthropic clients:

Evaluate whether the client could benefit from "bunching" charitable contributions in 2025

Many advisors are recommending that their clients address head on the One Big Beautiful Bill Act's expansion of the standard deduction—$15,750 for single filers and $31,500 for married couples in 2025, with even higher levels for taxpayers aged 65 and older. A technique known as "bunching" charitable donations can be particularly useful. For example, if a client typically donates $12,000 each year to charity, but the client's other deductions do not push them over the standard deduction, the client could give $36,000 (three years' worth of gifts) to a donor-advised fund at the Community Foundation in 2025. The idea is that the client can combine this gift with other deductions to substantially exceed the standard deduction, allowing the client to itemize and claim a much greater deduction for that year. Over the following two years, the client can take the standard deduction and lean on the donor-advised fund to distribute funds to favorite charities.

Note that the higher standard deduction will likely impact tax-motivated charitable giving, even with the expected uptick in the number of itemizers thanks to the OBBBA's new state and local tax deduction allowances (subscription required to the *Wall Street Journal*).

Look ahead to 2026 as you help clients plan for 2025

For your clients who continue to itemize deductions, 2026 will bring even further changes. Only charitable donations exceeding 0.5% of AGI will be deductible. For example, a couple with $225,000 in AGI would see their deductible charitable amount reduced by $1,125 per year. Although clients who are large-scale donors may find this change proportionately less impactful, clients making moderate or smaller-sized gifts might see a significant reduction in their eligible deductions. What's more, under the OBBBA, high-income taxpayers will see their maximum tax benefit from charitable deductions calculated at a top marginal rate of 35%, down from 37%, starting in 2026.

These changes may prompt higher-income clients to lean heavily on bunching strategies in 2025 to maximize current tax advantages before stricter limits kick in.

Watch the fine print on the charitable deduction for non-itemizers

Under the OBBBA, starting in 2026, taxpayers who take the standard deduction will be able to claim a direct deduction for charitable giving—up to $1,000 for single filers and $2,000 for married couples filing jointly. This provision mirrors temporary measures seen during the COVID-19 pandemic. Crucially, the deduction is limited to cash gifts made directly to qualified charities; donations of property or stock, and contributions to donor-advised funds, do not qualify. For the estimated 100 million Americans who do not itemize, which likely includes many of your clients, this provision is certainly good news. That said, gifts of appreciated stock and donor-advised funds are tax-effective and convenient charitable giving vehicles, and many clients may be disappointed that they can't deploy these techniques to take advantage of this new deduction.

2025 certainly is shaping up to be an important year for helping your clients plan their charitable gifts. Please reach out to our team to explore ways to leverage the Chester County Community Foundation's tools, including establishing your client's donor-advised fund to take advantage of bunching. And of course, always remember that regardless of the tax implications, your clients' philanthropy addresses vital community needs—and this is a motivator that transcends any deduction.

For more information, contact the Chester County Community Foundation:
Jason Arbacheski, CAP – Gift Planning & Stewardship Director – jason@chescocf.org
Karen Simmons – President/CEO – karen@chescocf.org