

## Floor to Ceiling: Four Factors that will Influence Corporate Giving Now and Later



At the Chester County Community Foundation, we work with business leaders and business owners to structure charitable giving plans that achieve the company's goals for its employees and the community. In many cases, corporate giving strategies include donating to local charities, whether directly or through a corporate fund at the Community Foundation.

If you run a business, you may have caught wind of the changes to the charitable deduction rules that apply to corporations. These tips are for you! Here's what you need to know:

### A new "floor" on the deductibility of charitable donations is coming in 2026.

Starting in 2026, corporations can only deduct charitable contributions that exceed [1%](#) of their taxable income. Donations below that threshold won't be deductible at all. This means, for example, that a company with \$100 million in taxable income must give more than \$1 million to take a charitable deduction—and even then, only donations above that \$1 million are eligible for a charitable deduction. Many worry that this change in the law will [negatively](#) impact corporate giving, which reached an all-time [high](#) last year.

### The "ceiling" stays in place—and it's trickier.

The IRS's ceiling on charitable deductions—allowing corporations to deduct up to 10% of taxable income—still applies. Starting in 2026, both the new 1% floor and the existing 10% ceiling will apply simultaneously, which makes things more complex. That means only amounts exceeding the 1% floor and up to the 10% ceiling are deductible. Both categories of "disallowed" giving can be carried forward for up to five years. In a carryforward year, the donation can only be deducted if the total giving in that year exceeds the 1% floor, and the carried-forward portion, together with current-year giving, doesn't exceed the 10% cap for that year. See? Tricky!

So what now? Here are two important takeaways:

### Don't wait to address this issue.

Act quickly to review your company's giving [strategies](#) for the remainder of 2025 and look ahead to future years. In particular, please reach out to the Community Foundation to explore how you can use a corporate donor-advised fund to maximize your deductions for 2025 before the floor kicks in.

### Consider sponsorship opportunities.

Keep in mind that your company can still deduct charity sponsorships as marketing expenses if the payment provides a direct business benefit, such as advertising, rather than being considered a pure charitable donation. Under [IRS rules](#), your business will need to substantiate the benefit received. Note also that the charities you support will need to properly account for this support on their end of the transaction, including determining whether to report it as "unrelated taxable income."

Please reach out to the team at the Chester County Community Foundation. We are happy to help!

For more information, contact the Chester County Community Foundation:

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