Bunching Charitable Gifts, Year-End, and Getting Ahead

For many attorneys, CPAs, and financial advisors, the last weeks of summer mark the beginning of year-end planning season. As clients return from vacations and turn their attention to tax and financial planning, it's an ideal time to revisit charitable giving strategies that could be important to help clients achieve their 2026 planning objectives.

A popular strategy that deserves special attention in year-end planning is "bunching" charitable contributions. The bunching concept became widely discussed when the Tax Cuts and Jobs Act of 2017 substantially increased the standard deduction for calculating income tax. According to important historical data, this change caused many taxpayers who previously itemized deductions to begin claiming the standard deduction instead because their annual charitable gifts and other deductible expenses were no longer sufficient to exceed the standard deduction threshold.

Since the beginning of 2026, charitable planning has become even more nuanced. The One Big Beautiful Bill Act added a new limitation under Internal Revenue Code Section 170 requiring that itemized charitable deductions must generally exceed 0.5% of adjusted gross income before a deduction is available. In addition, Section 68 now effectively limits the tax benefit of itemized deductions for taxpayers in the highest marginal income tax bracket to 35%. These two new provisions are sometimes called the "floor" and the "cap." Although in many cases charitable giving remains highly tax-efficient, these changes make proactive planning increasingly important.
So, what is "bunching"? And why is it so useful under current tax law? Here's how it works:

- Rather than making charitable gifts in roughly equal amounts each year, a client may benefit from consolidating two or more years of planned charitable contributions up front into a single tax year.
- By concentrating, or "bunching," donations into one year, the client may be better positioned to itemize deductions in that year while claiming the standard deduction in subsequent years, potentially producing greater cumulative tax savings over time.

For many of your clients, a donor-advised fund at the Chester County Community Foundation serves as an effective vehicle for implementing a bunching strategy. That's because a client can make a single, larger contribution to the donor-advised fund, generally claim the charitable deduction in the year of the contribution under Internal Revenue Code Section 170(a), and then recommend grants to favorite charities now and in future years. In short, the timing of the income tax deduction is separated from the timing of charitable distributions, allowing the client's favorite nonprofits to continue receiving consistent annual support.

As year-end approaches, many clients will naturally ask whether they should "bunch," or accelerate, charitable gifts before December 31. Advisors who raise the bunching conversation now, and coordinate early with our team at the Community Foundation, can help clients evaluate whether this strategy aligns with both their philanthropic objectives and their broader financial plans and then implement the strategy without rushing through it.
Bunching is not the only technique to be aware of well before year-end! Here are two additional important reminders for your client conversations:

- Remember that charitable planning opportunities are typically even more attractive when appreciated securities are involved. Under Internal Revenue Code Section 170(e)(1)(A), a client who contributes longterm appreciated publicly traded securities to a public charity, including a donor-advised or other type of fund at the Community Foundation, generally may deduct the property's fair market value (subject to the applicable adjusted gross income limitations) while avoiding recognition of the built-in capital gain that otherwise would result from a sale. This is usually a much better tax outcome than giving cash.

- Note that Qualified Charitable Distributions allow IRA owners age 70 ½ or older to give directly to charity tax-free—up to the 2026 annual limit of $111,000—even before required minimum distributions begin, potentially lowering adjusted gross income and reducing taxes on Social Security benefits and Medicare premiums. For a subset of your clients, this is important in light of the charitable deduction limitations under the One Big Beautiful Bill Act.
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The Chester County Community Foundation is honored to work alongside you and other advisors all year long to help structure charitable gifts in a way that advances your clients' philanthropic goals while making the planning process as seamless as possible. Reach out anytime to get a jump on year-end planning!

For more information, contact the Chester County Community Foundation:
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