

One Big Beautiful Bill Act, H.R. 1 - 119th Congress (2025-2026): Part VII - The Rules Relating to the Deductibility of Individual Charitable Contributions Have Changed

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In this seventh installment of my multi-part series on the One Big Beautiful Bill Act (the "Act"), I discuss provisions of the Act that impact the deductibility of individual charitable gifts under Code Section 170.^[1]

The Act impacts the deductibility of charitable contributions made by individual taxpayers in three ways, two of which are good news, and one of which may not be well received by many taxpayers.

1. Permanent Non-Itemizers' Charitable Deduction for Individuals - A Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize

Section 70424 of the Act amends the partial charitable contribution deduction allowed for individuals who do not itemize deductions on their individual federal income tax returns.

Non-itemizers are now allowed, as a below-the-line deduction (i.e., a deduction from adjusted gross income to arrive at taxable income), up to \$1,000 in the case of single taxpayers or married taxpayers filing separately (a \$700 increase from prior law), and up to \$2,000 in the case of married taxpayers filing jointly (a \$1,400 increase from prior law), for certain charitable contributions. The contributions, however, must meet certain criteria.

- The contributions must be in cash. So, for non-itemizers, they cannot deduct non-cash contributions.
- The contributions must be made to public charities. So, in general, contributions made to donor-advised funds, supporting organizations and most types of private foundations will not qualify for the limited below-the-line deduction.

This change to the charitable deduction provisions of the Code should be well received by taxpayers and charitable organizations. Not only does it increase the amount of the charitable deduction that non-itemizer individual taxpayers may claim on their federal income tax

returns, but it may also motivate more taxpayers to make small charitable contributions.

This provision of the Act is a so-called permanent change to the Code. It applies to taxable years beginning after December 31, 2025.

2. A New Floor on Individual Taxpayer Deduction for Charitable Contributions

Section 70425(a) of the Act introduces a new floor on the deductibility of charitable contributions made by individual taxpayers who itemize. For these individuals, charitable contributions are deductible, but only to the extent that the aggregate contributions for the taxable year exceed 0.5% of the taxpayer's contribution base (which is generally adjusted gross income).

PRACTICE ALERT: The floor does not apply to individual taxpayers who do not itemize.

Because of the floor, only aggregate charitable contributions for the taxable year that exceed the floor are currently deductible. The obvious question that follows is whether charitable contributions disallowed due to the floor are lost forever or if they may be carried forward and deducted in future taxable years (to the extent the floor is exceeded in such years). The answer is: it depends.

- As a general rule, charitable contributions disallowed due to the floor may not be carried forward and used in future taxable years (subject to the floor) if during the current taxable year, the floor is not exceeded.
- As an exception to the general rule, charitable contributions disallowed due to the floor may be carried forward and used in future taxable years (subject to the floor and certain ordering rules) if during the current taxable year, the floor is exceeded.

In effect, the floor essentially puts a cap on the value of the itemized charitable contribution deduction. Accordingly, for taxpayers subject to a 37% marginal tax rate, the maximum achievable benefit is approximately 35% (hence these taxpayers are subjected to a 2% haircut).

EXAMPLE 1: Harry and Sally are married and file jointly. During 2026, they make a total of \$40,000 of cash charitable contributions to qualified charities. Their adjusted gross income for the year is \$1,500,000. They itemize. Harry and Sally will have a floor of \$7,500 ($0.5\% \times \$1,500,000 = \$7,500$). Accordingly, due to the floor, only \$32,500 ($\$40,000 - \$7,500$) will be eligible as an itemized charitable deduction. Because they exceeded the floor for 2026, \$7,500 may be carried forward and potentially deductible in future taxable years.

EXAMPLE 2: Same facts as Example 1, except Harry and Sally's adjusted gross income was \$5,000,000, and their total cash charitable contributions for the year were \$22,500. Because they failed to exceed the floor ($\$5,000,000 \times 0.5\% = \$25,000$), none of their contributions for the year will be deductible. Further, for the same reason, no amount of the \$22,500 may be carried forward to future years.

This provision of the Act is a so-called permanent change to the Code. It applies to taxable years beginning after December 31, 2025.

3. Adjusted Gross Income Ceiling

Prior to the Act, under Code Section 170(b)(1)(G), individual taxpayers could not deduct charitable contributions made to qualifying charities for any taxable year to the extent they exceeded 50% of their contribution base (which is essentially adjusted gross income), provided, however, the limitation was 60% in the case of cash contributions. For this purpose, qualifying charities generally include churches, schools, hospitals and other publicly supported charities.

It is important to understand that the 60% ceiling in application allows a charitable deduction for a taxpayer's aggregate cash gifts made to qualified charities during the taxable year, to the extent the total amount of cash contributions made to qualified charities during the taxable year do not exceed an amount equal to 60% of the taxpayer's adjusted gross income less the total amount of non-cash gifts made to qualified charities during the taxable year.

The portion of Code Section 170 relating to the 60% ceiling for cash gifts was set to expire after 2025. So, after 2025, absent the Act, the ceiling for cash contributions would have reverted to 50%.

Section 70425(b) of the Act makes the 60% ceiling for cash gifts a so-called permanent change to the Code.

This provision of the Act should be welcome news to both taxpayers who make large cash charitable contributions and qualifying charities.

Conclusion

While the new floor added to the Code by the Act is not great news for individual taxpayers and charities, the doubling of the non-itemizer deduction and the permanency of the 60% adjusted gross income ceiling for cash charitable gifts should bring cheer to individual taxpayers and charities alike. Time will tell what impact these provisions will have on individual taxpayer behavior in the context of charitable giving.

Stay tuned for more installments of my multi-part series on the provisions of the Act.

[\[1\]](#) All references to "the Code" are to the Internal Revenue Code of 1986, as amended.

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