

The “One Big Beautiful Bill Act” (OBBBA)

The OBBBA makes permanent many of the temporary provisions of the 2017 Tax Cuts and Jobs Act (TCJA) that were scheduled to expire at the end of 2025 and enacts numerous changes that directly and indirectly affect high-income taxpayers

WHAT'S IN THE NEW LAW?¹

Individuals	Permanently retains the 37% top income tax rate	+
	Permanently increases the lifetime estate, gift, and GST exclusions to \$15MM beginning in 2026 (adjusted for inflation thereafter)	+
	Increases the SALT deduction cap from \$10K to \$40K from 2025 through 2029, subject to a phase-down to \$10K for high-income earners	=
	Makes no change to the “SALT cap workaround” used by certain pass-through entities	+
	Caps the value of itemized deductions at roughly 35% for individuals in the top (37%) income tax bracket	-
	Introduces a floor on charitable contributions that reduces the deduction by 0.5% of the contribution base (basically, adjusted gross income) for itemizers	-
	Permanently extends the \$750K principal cap on mortgage interest deductibility and disallows miscellaneous itemized deductions (e.g., investment management fees)	-
	Permanently extends higher AMT exemption and phase-out thresholds	+
Business Owners	Permanently extends the 20% Qualified Business Income (QBI) deduction for pass-through entities	+
	Permanently restores 100% bonus depreciation for “qualified property” and immediate R&D expensing	+
	Creates a permanent round of Qualified Opportunity Zone (QOZ) investment incentives, beginning in 2027	+
	Enhances the Qualified Small Business Stock (QSBS) exclusion for QSBS acquired after the date of enactment	+
	Restores more generous limitations on business interest deductibility	+
	Permanently extends the limitation on “excess business losses” for non-corporate taxpayers	-
Not-for-Profits	Includes tiered excise tax rates on the net investment income of large private college and university endowments, from 1.4% up to a maximum rate of 8%	-

Key:  Provision generally positive to high-income taxpayers

 Provision generally negative to high-income taxpayers

 Provision generally neutral to high-income taxpayers

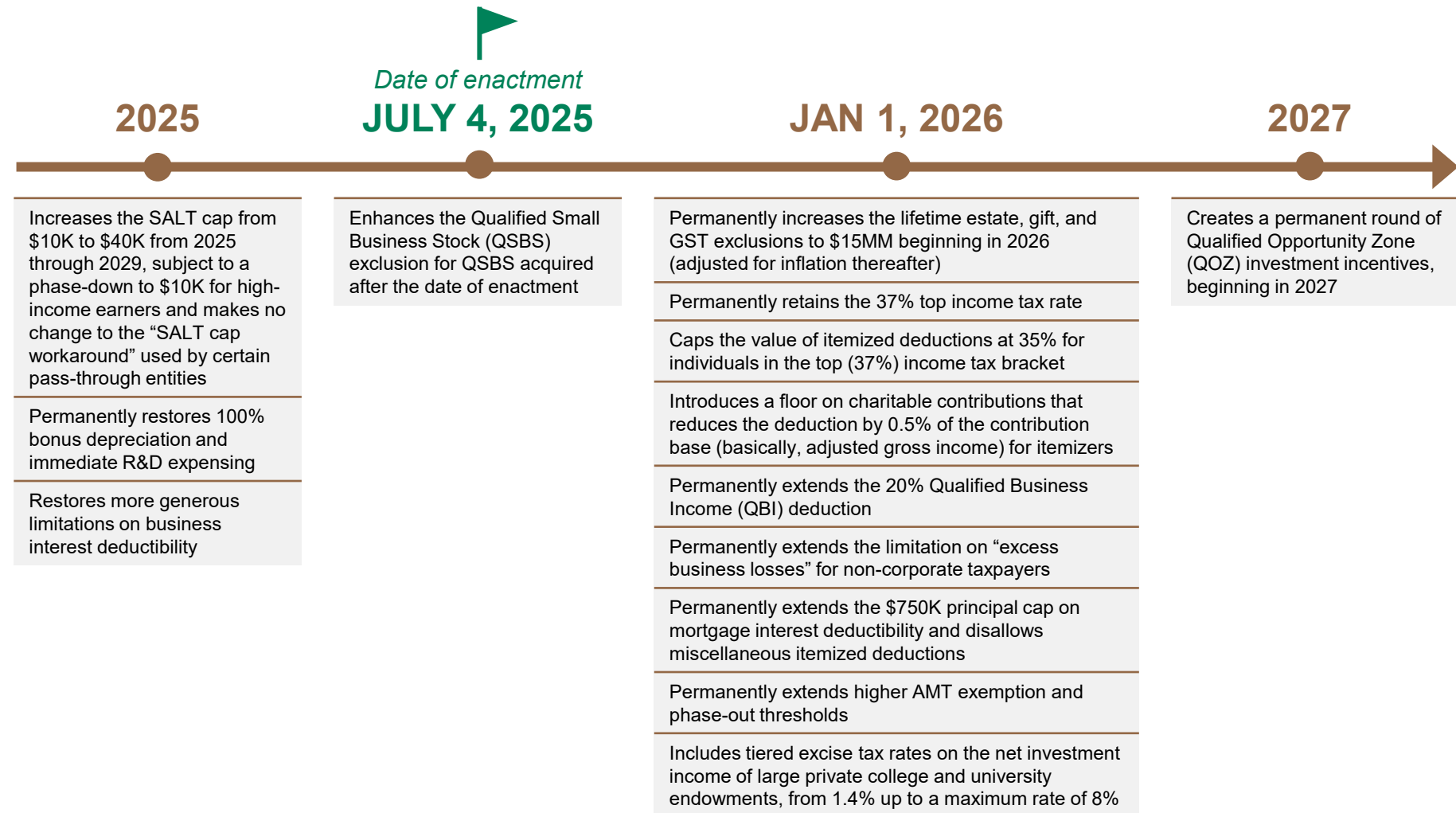
IDEAS TO CONSIDER

- 1 Donate to charity now:** Consider front-loading your charitable contributions in 2025 before new limitations take effect.
- 2 SALT check:** The state and local tax (SALT) deduction cap is temporarily increased from \$10K to \$40K through 2029, with a phase-down for most households that make more than \$500K (half those amounts for married couples filing separately).
- 3 Review business entities:** You may be able to benefit from higher thresholds and exclusions for some owners of qualified small business stock, more quickly deducting certain business expenses, and the new rules around deducting state and local taxes.
- 4 Pass on wealth to family:** With reduced uncertainty around estate and gift taxes, you should think about transferring wealth to future generations.

¹This summary is based on federal legislation formally titled “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14,” and commonly referred to as the One Big Beautiful Bill Act (OBBBA).

Most provisions will be effective beginning Jan. 1, 2026

There is time to prepare for many of the changes include in the “One Big Beautiful Bill Act” (OBBBA)



Charitable Giving Considerations Post-“One Big Beautiful Bill Act” (OBBBA)

In light of the recently enacted OBBBA, charitable donors and organizations should familiarize themselves with the law, so that they can navigate changes effectively and address new opportunities.

Actions to Consider

Donors	Universal charitable deduction: Allows a universal charitable deduction for non-itemizers, up to \$1,000 for individuals and \$2,000 for married couples, starting January 1, 2026. This provision should benefit the roughly 90% of taxpayers who do not itemize their deductions.
	Limitations for wealthy donors: Beginning in 2026, requires donations to exceed 0.5% of adjusted gross income for a deduction. Also, the value of charitable deductions (and other itemized deductions) for top earners will be reduced, starting January 1, 2026, from 37% to 35%.
	Introduction of corporate donation limitation: Requires companies to donate in excess of 1% of taxable income to take a charitable deduction. This change could boost large corporate giving but deter donations from smaller firms. In 2023, median corporate donations were below 1% of pre-tax profits. ²
	New federal tax credit for scholarship programs: Offers a 100% tax credit, up to \$1,700, for donations to scholarship granting organizations beginning in 2027, requiring state participation. This provision may encourage donations to those charities at the expense of others.

Not-for-profit charities may want to assess fundraising strategy.

Donors may want to consider accelerating gifts before new limits.

Companies should consider increasing donations to meet the 1% threshold.

Donors may consider scholarship organizations to benefit from tax credit.

Not-for-profits	Tax increase on private college endowments: Imposes a top 8% excise tax on endowments of over \$2 million per student and 4% on those with endowments from \$750,000 to \$2 million per student starting January 1, 2026. Retained is the 1.4% tax on endowments of \$500,000 to \$750,000 per student. Colleges with under 3,000 students are exempt.
	Tax expansion for highly compensated employees: Expands the 21% excise tax to not-for-profits with employees earning over \$1 million annually, beginning in 2026, taxing the amount above \$1 million for each such employee, rather than just the five highest-paid employees. This change is retroactive and requires organizations to evaluate any employee or former employee who was employed during any taxable year beginning after December 31, 2016.

Donors may want to work with colleges to optimize support.

Nonprofits may want to evaluate compensation structures.

¹This summary is based on federal legislation formally titled “An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14,” and commonly referred to as the One Big Beautiful Bill Act (OBBBA).

²Chronicle of Philanthropy, <https://www.philanthropy.com/article/tax-measure-will-add-new-money-woes-to-a-reeling-sector>, accessed July 3, 2025.

Consider front-loading charitable contributions in 2025 before new limitations take effect in 2026



Example: Individual with \$10MM AGI and \$1MM charitable donation

TWO NEW LIMITS

1

Floor on charitable contributions

reduces the deduction by 0.5% of the contribution base (basically, adjusted gross income) for itemizers

2

Overall limitation on itemized deductions

5.41% reduction based on the lesser of (a) itemized deductions or (b) taxable income over \$767,150 (estimate) in 2026

1

	2025	2026
AGI	\$ 10,000,000	\$ 10,000,000
Step 1: Apply 0.5% floor on charitable contributions		
Charitable contribution	\$ 1,000,000	\$ 1,000,000
(-) Charitable floor (0.5% of AGI) ²	\$ -	\$ (50,000)
% reduction of charitable contribution		-5%
Allowed charitable deduction	\$ 1,000,000	\$ 950,000
Step 2: Apply overall limitation on itemized deductions		
Allowed charitable deduction ³	\$ 1,000,000	\$ 950,000
(-) Overall limitation on itemized deductions ⁴	\$ -	\$ (51,351)
(-) % reduction		-5.41%
Total itemized deduction after limitation	\$ 1,000,000	\$ 898,649
Step 3: Evaluate after-tax impact		
AGI	\$ 10,000,000	\$ 10,000,000
(-) Allowed total itemized deductions	\$ (1,000,000)	\$ (898,649)
(-) total % reduction of itemized deduction from 2025 to 2026		-10.14%
Taxable income	\$ 9,000,000	\$ 9,101,351
(-) Taxes ⁵	\$ (3,254,063)	\$ (3,288,972)
After-tax income	\$ 6,745,938	\$ 6,711,029

Difference between donating in 2025 vs. 2026		
Taxes paid	\$ (3,254,063)	\$ (3,288,972)
After-tax income	\$ 6,745,938	\$ 6,711,029
Charitable gift amount	\$ (1,000,000)	\$ (1,000,000)
Net wealth to donor (after-tax income less charitable gift amount)	\$ 5,745,938	\$ 5,711,029
\$ Difference in net wealth to beneficiaries (donor + charity)	\$ 6,745,938	\$ 6,711,029
\$ Difference in net wealth to beneficiaries (donor + charity)		\$ (34,909)
Percent change in net wealth to beneficiaries (donor + charity) 2025 vs. 2026		-0.52%

Note: The overall impact of the new limitations on charitable contributions and itemized deductions may vary depending on specific circumstances.

¹ Assumes a donation of qualified appreciated stock held long-term to a donor-advised fund (DAF) or public charity that is below applicable AGI caps.

² Beginning Jan. 1, 2026, the charitable floor effectively disallows a charitable deduction for the first 0.5% of adjusted gross income for taxpayers who itemize.

³ The analysis does not account for other potential itemized deductions (e.g., SALT, mortgage interest, investment interest, etc.).

⁴ The new limit on itemized deductions reduces the value of itemized deductions for those in the 37% rate bracket by roughly 5.4% of the lesser of the amount of itemized deductions or the amount that taxable income exceeds the starting point for the 37% bracket (assumes \$767,150 for 2026).

⁵ The analysis does not account for any state tax implications. In 2025, assumes tax of \$202,154.50 on the first \$751,600 of income plus 37% of the excess income over this amount. In 2026, assumes tax of \$205,317 on the first \$767,150 of income plus 37% of the excess income over this amount.