



Charitable Giving Under the One Big Beautiful Bill Act (OBBBA)

What Changed? OBBBA reshaped charitable giving rules which encourages bunching and giving now in 2025. The following changes will go into effect for 2026.

- ✓ **Minimum Giving Floor** – Itemizing taxpayers may only deduct gifts made in excess of 0.5% of AGI. Corporate giving has a similar floor, assessed at 1%, but also has 10% cap in relation to earnings.
- ✓ **Deduction Value Cap** – Itemized deductions are limited to 35% of AGI for highest earners (down from 37%).
- ✓ **Universal Deduction** – Non-itemizers giving cash now benefit from a charitable deduction called the non-itemizer deduction or universal deduction. In addition, there is an increased and indexed for inflation standard deduction amount.

Bunching Explained

Taxpayers can bunch by giving multiple years' worth of donations in one year to itemize and then taking the increased standard deduction the next year(s). If you were priorly electing the standard deduction, bunching would allow you to itemize and generate more deductions. If you were priorly itemizing, giving multiple years' worth of donations could reduce your exposure to the charitable donation floor.

Why Donor Advised Funds (DAFs) Matter

What Changed? OBBBA discourages normal giving patterns. But normalcy is achieved when using bunching with a DAF.

- ✓ **Immediate Tax Benefit** – Deduct now, give later. Gifts can be scheduled to your specificity.
- ✓ **Flexibility** – Support multiple charities with one contribution.
- ✓ **Growth Potential** – Invested assets can expand giving power by growing tax free.
- ✓ **Simplified Giving** – Streamlined record-keeping and fewer administrative hurdles.
- ✓ **Strategic Alignment** – Align grants with values, family legacy, and long-term vision.

Bunching Smarter with DAFs

Charities love recurring donations. Churches are no different. Being able to project next year's budget from consistent gifts is extremely valuable. A DAF is a perfect solution to maintain recurring payments to the charity, while maximizing tax benefits for the donor. DAFs allow you to receive the tax benefit up front and schedule recurring payments to your charity of choice.

This is a technique WatersEdge is glad to help with and explained in-depth on the next page!

(Continued on next page)



Current Plan Standard Deduction and Bunching Illustrated

COLUMN A

The following example assumes the taxpayers make \$100,000 in AGI and are Married Filing Jointly. They give \$15,000 per year charitably, they deduct \$10,000 in State and Local Tax (SALT), and \$4,000 in mortgage interest so their total annual deductions are \$29,000 (\$15,000+\$10,000+\$4,000) which is under the standard deduction amount (\$31,500). Therefore, they take the standard deduction. Since they gave \$15,000 in cash, they get a non-itemizer deduction increase of \$2,000 for a total standard deduction of \$33,500 starting in 2026.

COLUMN B

If the taxpayers accelerate their 2026 giving by giving the 2026 donation now, they would take the \$44,000 itemized deduction (\$30,000+\$10,000+\$4,000). They have nothing left to give in 2026 as shown, so they get the standard deduction without the boost of the non-itemizer deduction. If they follow this pattern, and give the same amounts over 4 years to charity (\$60,000) the result is \$19,000 more in deductions, saving them ~\$2,200 in taxes. Using a DAF, they could schedule this to fund \$15K a year, so the ministry never takes a dip in contributions received, and they get an extra \$500 in their pocket from taxes saved each year.

	COLUMN A	COLUMN B
	Current Plan with Standard Deduction	Current Plan with Bunching & Itemizing
2025	\$31,500.00	\$44,000.00
2026	\$33,500.00	\$31,500.00
2027	\$33,500.00	\$44,000.00
2028	\$33,500.00	\$31,500.00
	\$132,000.00	\$151,000.00
<i>Increase in Deductions</i>		\$19,000.00
Taxes Saved at 12%		\$2,280.00

If you have additional questions, give us a call at 1-800-949-9988 or reach out to our team at give@WatersEdge.com.