NAVIGATING THE ONE BIG BEAUTIFUL BILL TAX CODE CHANGES

- July 15, 2026

FOUNDATION *for the* CAROLINAS

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AGILITY TOGETHER

A collaborative initiative of Foundation For The Carolinas, United Way of Greater Charlotte, The Lee Institute and SHARE Charlotte

AGENDA

- Background
- Provisions Impacting Charitable Giving
- Other Provisions Impacting Nonprofits
- Implications for Nonprofits and Practical Strategies
- Breakout Session

FFTC does not provide tax or legal advice. The information contained herein is for educational purposes, and is not intended to be a substitute for individualized tax or legal advice.

If This Doesn't Sound Interesting…

BACKGROUND

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Key Issues Affecting Nonprofit Funding

- 📈 Inflation and rising operating costs
- 🏛️ Government funding uncertainty
- 📣 Increased demand for nonprofit services
- 📊 Strong stock market and concentrated wealth
- 🎯 More strategic, impact-focused donor behavior
- 👥 Changes to tax laws affecting charitable giving

$592.50 billion

In 2024, Americans gave $592.50 billion to charity, growing 6.3% over 2023. When adjusted for inflation, total giving grew by 3.3%.

Where did the generosity come from?

Contributions by source

By percentage of the total

66% $392.45 billion

Giving by Individuals

↑ increased 8.2% from 2023

19% $109.81 billion

Giving by Foundations

↑ increased 2.4% from 2023

8% $45.84 billion

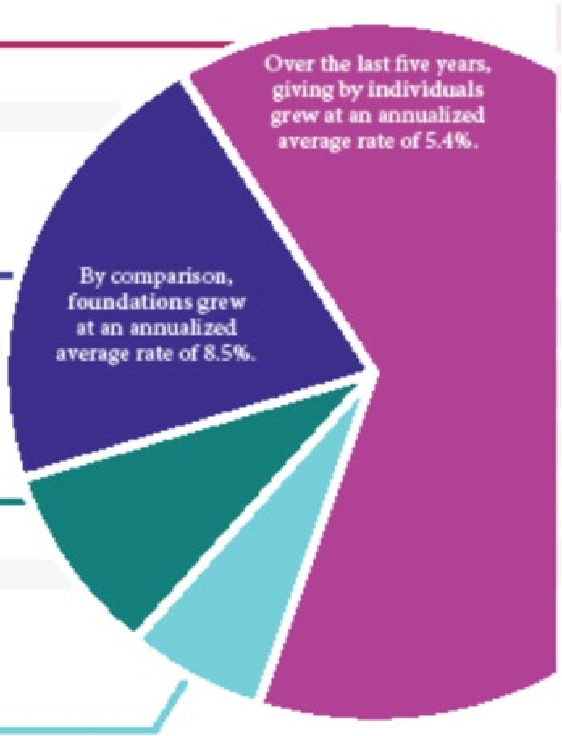
Giving by Bequest

↓ declined 1.6% from 2023

7% $44.40 billion

Giving by Corporations

↑ increased 9.1% from 2023



*All figures on this infographic are reported in current dollars unless otherwise noted. The inflation rate in 2024 stood at 2.9%, and results may differ when adjusted for inflation. Learn more in the chapters.

"Great Wealth Transfer" and Charity

- Predicted transfer to younger generations through 2048
  - Baby Boomers account for ~51% of US wealth
- Original projection of $68 trillion
  - Recent projections – up to $124 trillion
- Potential of $18 trillion to charity
  - If realized, could result in an average of ~$800B per year to charity

The Tax Code Can Be Confusing...

What is a Tax Deduction?

- A tax deduction reduces the amount of your income that is subject to tax.
  - The lower your taxable income, the less tax you may owe.

- Charitable donations can qualify as a tax deduction.
  - Example: If you have $60,000 in taxable income and claim a $1,000 deduction, you would be taxed on $59,000.

Charitable Tax Deductions

Income Tax Deduction

- Section 170(a) – provides a charitable tax deduction for gifts made during life subject to certain limitations

Gift Tax Deduction

- Section 2522(a) – provides an *unlimited* charitable gift tax deduction for transfers to qualified charities

Estate Tax Deduction

- Section 2055(a) – provides an *unlimited* estate tax deduction for bequests and other transfers to qualified charities

Key Charitable Tax Legislation

1917
Charitable deduction established

1981 - 2000s
Expansion of charitable incentives

2006
Pension Protection Act

2017
Tax Cuts and Jobs Act (TCJA)

2020
CARES Act

2025
One Big Beautiful Bill Act (OBBBA)

Impact of Charitable Tax Provisions

- Tax provisions influence:
  - Who receives a tax benefit
  - How much benefit they receive
  - When and how much they give
  - What assets they give
  - Long-term giving trends

Tax law doesn't create generosity, but it changes donor behavior.

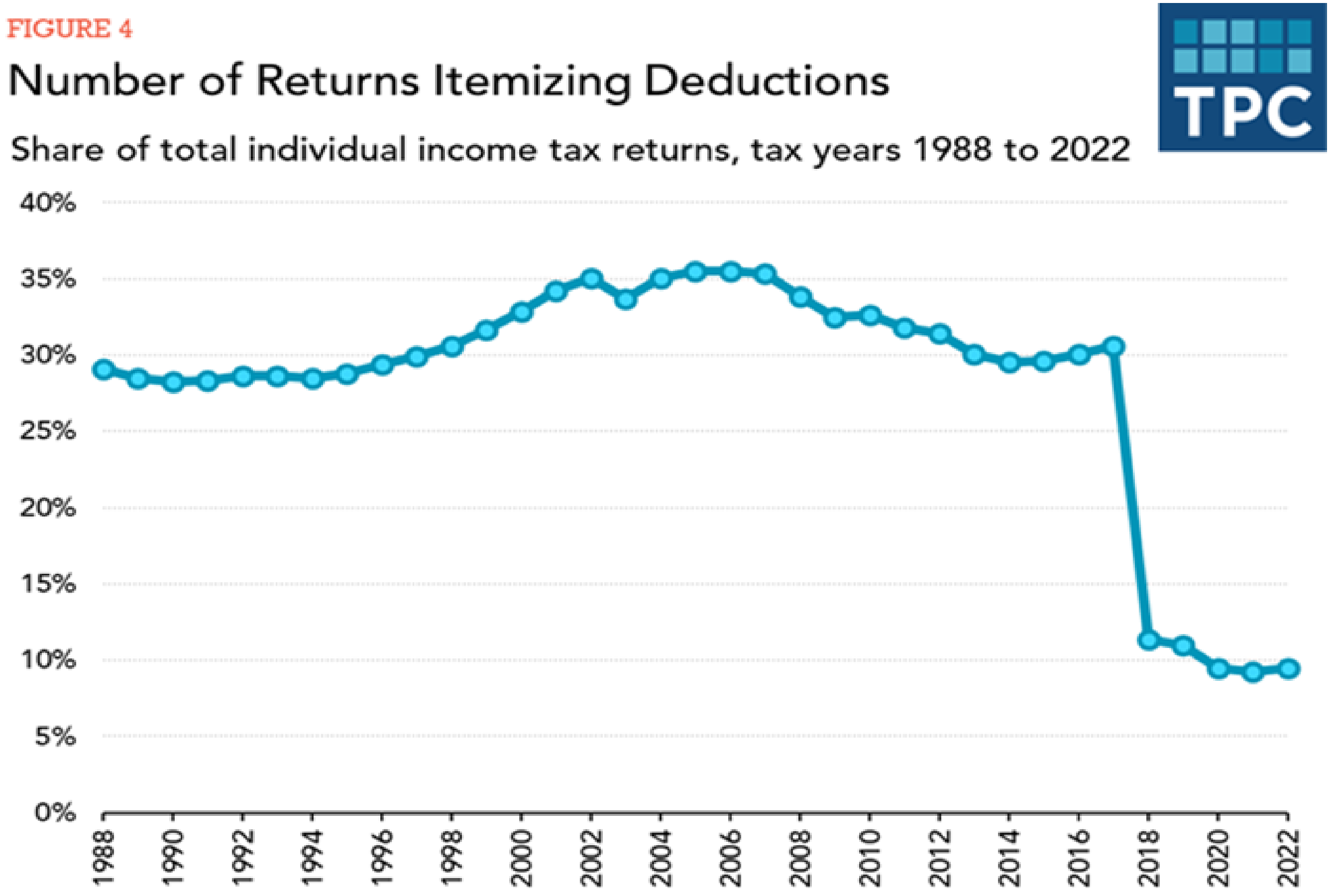
TCJA and Charitable Giving

- 2017 Tax Cuts and Jobs Act (TCJA):
  - Nearly doubled standard deduction (e.g., increased from $12,700 in 2017 to $24,000 in 2018 for married couples)
  - Capped deduction for state and local taxes
  - Indexed standard deduction for inflation – in 2025:
    - $15,750 for single taxpayers
    - $31,500 for married couples filing jointly

Significant Decrease in Itemizers

Itemizers (%)

28% in 1994
↑ to 36% in 2005
↓ to 31% in 2017
↓ to 9.5% in 2022



Source: Internal Revenue Service. Statistics of Income. Table 2.1. "Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items, Tax Year 2022 (Filing Year 2023)." October 2024.

Source: https://taxpolicycenter.org/briefing-book/what-are-itemized-deductions-and-who-claims-them

PROVISIONS IMPACTING CHARITABLE GIVING

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OBBBA and Charitable Giving

- OBBBA introduced changes that impact charitable giving. It also made several TCJA provisions permanent.

- The impact is mixed and includes:
  - ✅ Expanded giving incentive for most donors (non-itemizers)
  - ❌ Reduced incentives for larger gifts and corporate giving
  - ⚠️ Could increase competition among nonprofits for large donors

New Non-Itemizer Deduction

- Prior Law: No charitable deduction for non-itemizers
- OBBBA: Beginning in 2026, individuals who don't itemize can claim a charitable deduction for cash gifts of up to $1,000 (or $2,000 for joint filers)
  - Gifts to DAFs, PFs and supporting orgs do not qualify
- Implications:
  - Expands charitable giving tax incentives
  - May encourage new donors to start giving

New 0.5% AGI Floor for Itemizers

- Prior Law: No floor on charitable deductions
- OBBBA: Taxpayers may deduct only the portion of charitable gifts > 0.5% of their adjusted gross income (AGI)
  - E.g., an individual with $100k of AGI is only able to deduct gifts in excess of $500 ($100k x 0.5%)
- Implications:
  - Smaller gifts less likely to generate tax benefits
  - Encourages more strategic giving leading to larger, less frequent donations (bunching)

Reduced Tax Benefit for Highest Income Taxpayers

- Prior Law: Charitable deduction based on marginal tax rate
- OBBBA: Taxpayers in the highest bracket generally receive a tax benefit of 35¢ per dollar for charitable gifts rather than 37¢
- Implications:
  - Could discourage large gifts by top bracket donors
  - Could encourage more strategic giving

Extension of Estate and Gift Tax Exemption

- Prior Law: Lifetime gift and estate tax exemption of $13.99M per individual; scheduled to sunset to pre-TCJA levels in 2026
- OBBBA: Made the higher exemption permanent under current law, increasing it to $15M per individual beginning in 2026, indexed for inflation
- Implications: Estate tax savings are unlikely to motivate giving from donors other than ultra-high net worth individuals

New 1% Taxable Income Floor for Corporations

- Prior Law: No floor on charitable deductions
- OBBBA: Corporate donors may only deduct the portion of charitable gifts > 1% of taxable income
  - E.g., a corporation with $10M of taxable income is only able to deduct gifts in excess of $100k ($10M x 1%)
- Implications:
  - Corporate donors may consolidate giving, increase minimum gift sizes, or focus gifts on fewer nonprofit partners to ensure deductibility


Music
Wow, there's a lot to unpack there.

OTHER PROVISIONS IMPACTING NONPROFITS

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More Nonprofits Could Face Compensation Excise Tax

- Prior Law: Imposed a 21% excise tax on nonprofits for employee compensation in excess of $1M; limited to top 5 employees
- OBBBA: Expands the 21% excise tax to all employees and former employees with compensation in excess of $1M (removing the 5 employee limit)
  - E.g., for an employee who earns $1.2M, an excise tax would be imposed equal to (($1.2M - $1M) x 21%) = $42,000
- Implications: Minimal for most nonprofits

Expanded Private College and University Excise Tax

- Prior Law: 1.4% excise tax on the net investment income of applicable private college and universities
  - With 500+ students and at least $500k in per student endowments
- OBBBA: Replaces flat tax with graduated rates of 1.4%, 4% and 8%; increases student threshold (at least 3,000 students)
- Implications: Potentially significant for applicable universities with larger “student adjusted endowments”

Credit For Scholarship Granting Organizations (SGOS)

- OBBBA: Beginning in 2027, individuals may claim a federal tax credit of up to $1,700 for cash gifts to approved K–12 scholarship granting organizations (SGOs) in participating states
  - Only available in states that elect to participate and identify approved SGOs
  - NC and SC have opted in for 2027
- Impact: A dollar-for-dollar credit could draw education-focused giving toward SGOs and away from other charitable priorities

IMPLICATIONS FOR NONPROFITS AND PRACTICAL STRATEGIES

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Increased Strategic Giving Expected

- Donors likely to move to more strategic giving, including:
  - **Gifts of appreciated securities**
  - **Qualified charitable distributions from IRAs**
  - **Planned giving**
  - **Bunching donations**

- Charities that understand these strategies -

  and what motivates donors - will be more successful

Gifts of Appreciated Securities

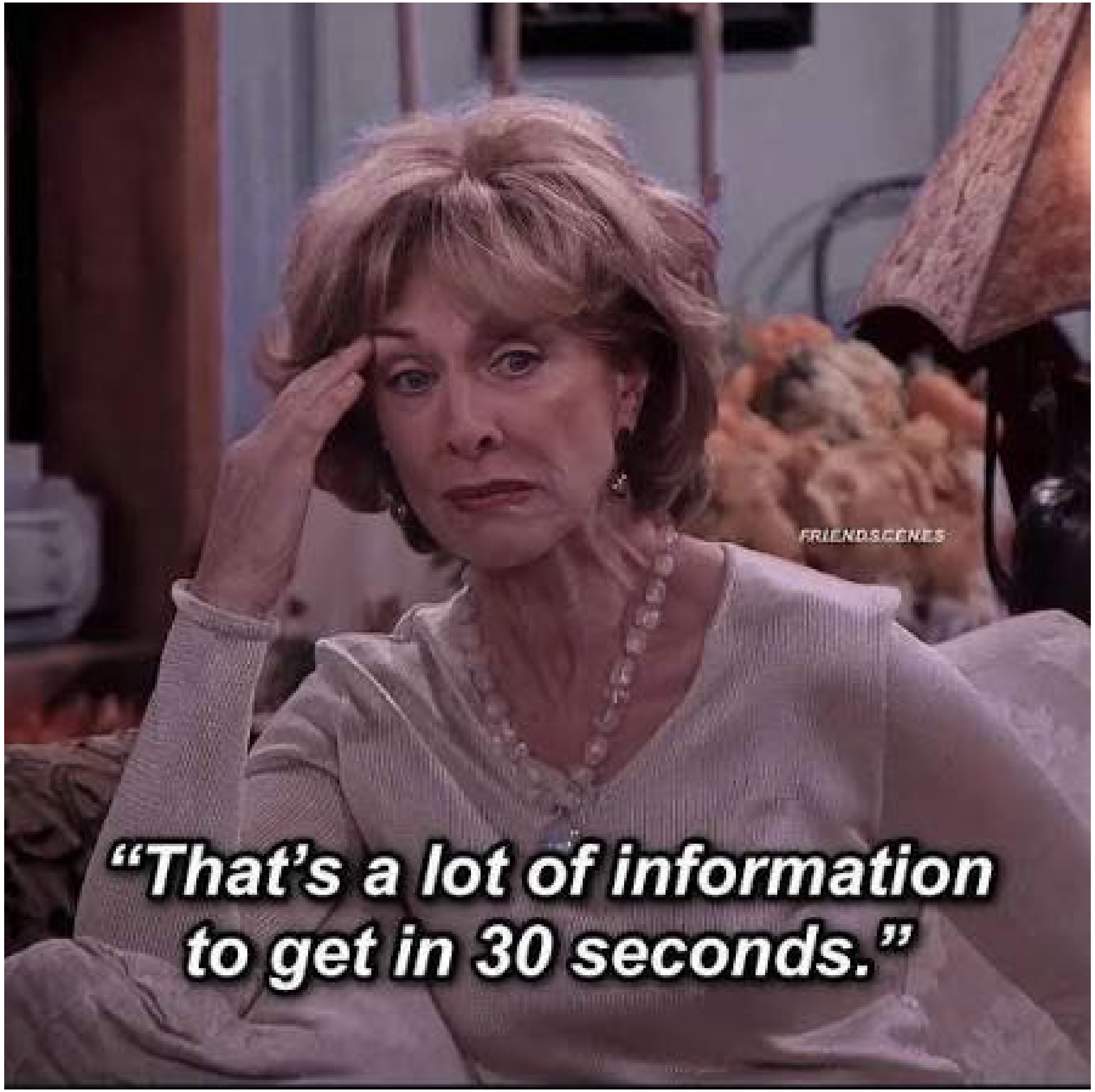
- Donor owns 250 shares of stock purchased at $10/share in 2018 and now worth $40/share. She is considering selling the shares and giving your organization the net proceeds.
  - Donor's Basis: generally the original purchase price
    - 250 x $10/share = $2,500
  - Capital Gains: sales price less donor's basis
    - 250 x $40/share = $10,000 - $2,500 = $7,500
  - Tax: capital gains x capital gains tax rate
    - $7,500 x 20% = $1,500

Gifts of Appreciated Securities (cont.)

	Sale by Donor; Gift of Cash	Gift of Stock
Capital Gains Tax on Sale of Stock*	$1,500	None
Net Amount to Charity	$8,500	$10,000
Deductible Amount	$8,500	$10,000

Because Charity will not pay capital gains tax on the sale of stock, both Donor and Charity are better off if the shares are donated directly to Charity.

* Assume stock owned more than one year and capital gains tax rate of 20%


FRIENDSCENES
“That’s a lot of information
to get in 30 seconds.”

IRA Qualified Charitable Distributions (QCDs)

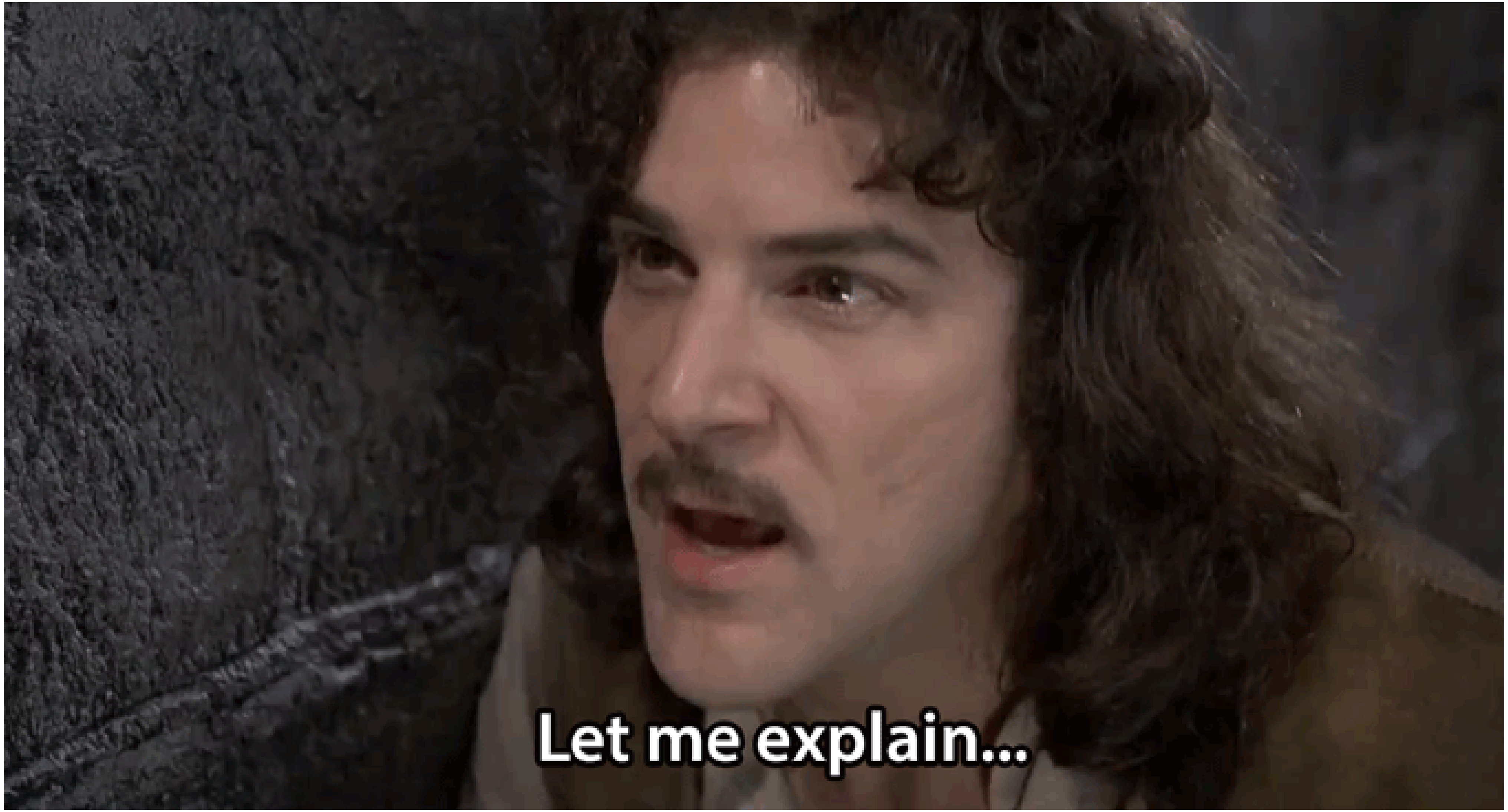
- QCDs are direct transfers from an IRA to a qualified charity that may be excluded from taxable income
  - **IRA owner must be 70½+**; a QCD is excluded from AGI
  - Up to $111,000 per IRA owner per year (indexed for inflation)
  - Distribution must be made to qualified charities
  - Does not include PFs, DAFs, or supporting orgs
- Can satisfy required minimum distribution (RMD)
- Good planning opportunity for non-itemizers

Planned Giving

- A planned gift is a charitable contribution arranged through a donor's estate, financial, or tax planning strategy.
  - It enables nonprofits to build long-term sustainability while helping donors achieve their philanthropic goals.
- Planned gifts can be beneficial in your fundraising strategy
  - Opportunity to strengthen relationship
  - Can be used to endow annual gifts
  - Support tax-efficient giving (e.g., retirement accounts)

What is "Bunching"?

- **What is Bunching?** Grouping charitable gifts a donor intends to make over multiple years into a single year
- **Why Bunch?** To carry out a donor's intent in a tax-efficient manner in response to the increased standard deduction
- Often accomplished by bunching charitable gifts to a DAF
  - Contributions to DAFs qualify for charitable deduction
  - Donor can recommend grants to charities in subsequent years


Let me explain...

Bunching Example

- Donor Assumptions:
  - Plans to make $30,000 in charitable gifts each year
  - Expect to deduct $11,000 of mortgage interest per year
  - Anticipates deducting $10,000 in state and local taxes per year*
  - Will file joint tax return
  - AGI of $600,000 each year

** Changes to state and local tax (SALT) deductions under OBBBA may allow for greater deductions depending on AGI*

Bunching Example (cont.)

	Year 1 (2026)	Year 2 (2027)	Year 3 (2028)	Total Deductions
Deductions (without bunching)	$27,000* + $11,000 + $10,000 = *$48,000*	$27,000* + $11,000 + $10,000 = *$48,000*	$27,000* + $11,000 + $10,000 = *$48,000*	**$144,000**
Deductions (with bunching)	$87,000 + $11,000 + $10,000 = *$108,000*	Standard deduction of $32,200**	Standard deduction of $32,200**	**$172,400****

Bunching could result in additional charitable deduction of **$28,400+**

At 35% tax rate, could result in **$9,940** in federal tax savings + state tax savings

* Reduced to reflect 0.5% AGI charitable floor

** Standard deduction would be higher in '27 and '28 after inflation adjustment

Positioning Your Organization for Success

- As tax incentives change, **giving is becoming more strategic**. With both individual and corporate donors, it is more important than ever for nonprofits to:
  - **foster relationships**,
  - **build trust**,
  - and **demonstrate impact**

Understanding Donor Motivations

Making a lasting impact

Sense of obligation

Responding to urgent issue

Family traditions

Religious traditions

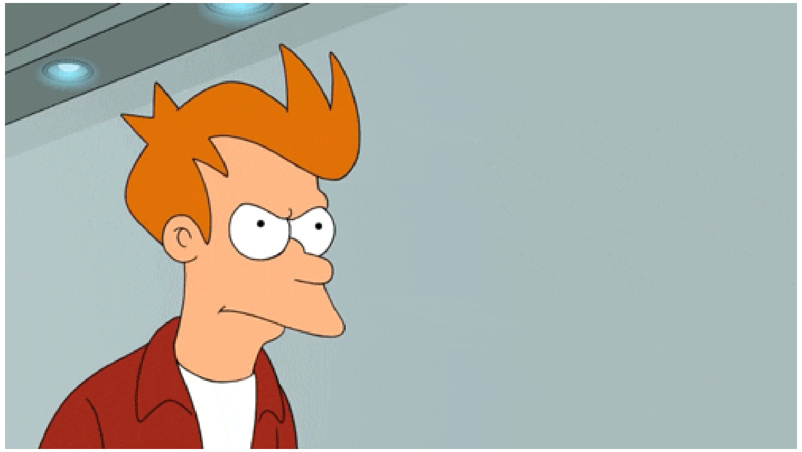
Social circle

Life journey

Per 2025 Bank of America Private Bank Survey

Why Donors Choose Organizations or Causes

- Top 5 reasons affluent donors choose an organization or cause
  - 68% – Alignment with values or beliefs
  - 57% – Interest in issue area
  - 50% – Personal experience with organization
  - 48% – Organization's reputation and credibility
  - 47% – Perceived need of organization/issue



Source: 2025 Bank of America Study of Philanthropy: Charitable Giving by Affluent Household


Kaboom! You've been
lawyered.

QUESTIONS?

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Breakout Scenarios

- Please divide into groups to discuss the two scenarios in the handout provided.

- Discuss each scenario for 10 minutes, then we'll reconvene as a group.

- Consider the donors' connection to the organization, potential giving strategies and any stewardship considerations.

Being Successful in a More Competitive Giving Environment

- Understand how donors are affected
- Simplify tax-efficient giving
- Personalize donor engagement
- Communicate impact clearly
- Deepen relationships over time

Tax law doesn't create generosity, but it changes donor behavior.

THANK YOU

Your Partner in Philanthropy

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