
What the One Big Beautiful Bill Act Means for Charitable Giving

Philanthropic Services offered through Wells Fargo Bank, N.A.



The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025.¹ While there are many changes affecting income tax, estate and gift tax, and other programs, there are also several key changes to charitable contributions for individuals, nonprofits, and corporations that taxpayers should be aware of in planning with their tax advisors for the remainder of 2025 and for 2026 and beyond.

Makes permanent 60% cash deductibility ceiling

As part of the 2017 Tax Cuts and Jobs Act (TCJA), Congress increased the deductibility ceiling for charitable contributions from 50% of adjusted gross income (AGI) to 60% of adjusted gross income for cash contributions to public charities.² OBBBA makes that 60% ceiling permanent.

Limitations for individual taxpayers who itemize

OBBBA made several changes to how the charitable deduction works for itemizers, instituting a giving floor of 0.5% of AGI. In other words, a taxpayer may not deduct amounts given to charity below that amount. At the top end, the deduction is also capped at the 35% tax bracket – so for those taxpayers who are in the top tax bracket utilizing the charitable deduction, they are now limited to reducing tax liability at 35 cents on the dollar.



Consider: Clients who typically itemize may wish to accelerate planned charitable giving into the 2025 tax year to take advantage of more favorable deduction rules for the remainder of 2025. Clients may also consider contributing to a donor advised fund to “pre-fund” charitable obligations for 2026 and beyond.

Above-the-line deduction for non-itemizers

OBBBA introduced a new, above-the-line charitable deduction for taxpayers who do not itemize. This deduction is \$1,000 for single taxpayers and \$2,000 for taxpayers who are married filing jointly. It does not apply to contributions to a donor advised fund.



Historical context: Some may recall that Congress instituted a small temporary above-the-line charitable deduction (\$300 for individual taxpayers; \$600 for married filing jointly) during the 2020 and 2021 tax years only as part of the 2020 CARES Act.³ This brings back, increases, and makes permanent that deduction.

Deductibility floor for corporations

OBBBA maintains the current 10% ceiling for corporate giving deductibility. However, it also institutes a 1% giving floor to qualify to claim a charitable deduction.



Consider: Corporations may wish to revisit their philanthropic strategy in light of this change, either bunching charitable contributions into larger amounts in certain years and/or evaluating if a charitable contribution can be properly classified as a business expense.

Changes for nonprofit organizations

While previous versions of OBBBA proposed increasing the current 1.39% excise tax on large private foundations,⁴ this provision was not included in the bill’s final version.

OBBBA does, however, expand the current 21% excise tax on nonprofit executive salaries exceeding \$1 million, originally instituted in the 2017 TCJA. While this tax previously only applied to an organization’s five highest paid employees, it will now apply to any employee.

OBBBA also institutes an excise tax on private colleges and universities, which is tiered based on per student amounts. For those with assets:

- Between \$500,000 and \$750,000 per student, pay a 1.4% excise tax
- Between \$750,000 and \$2 million per student, pay a 4% excise tax
- Above \$2 million per student, pay an 8% excise tax



Consider: Nonprofits, and especially private colleges and universities, will need to be aware of these changes and how they impact budgeting, if at all, to continue to effectively run their organization.

Conclusion

For 2025, taxpayers may wish to evaluate their overall charitable plans to consider taking advantage of more favorable charitable deduction laws this year.

For 2026 and beyond, despite the changes instituted by OBBBA, the charitable deduction remains a powerful tool for both income and estate tax planning, especially for taxpayers who itemize and individuals with estates exceeding the new, larger estate and gift tax exemptions.

For more information about how to plan for these changes, contact your regional Wells Fargo Bank Philanthropic Advisor.

¹ One Big Beautiful Bill Act, Pub. L. No. 119-21, H.R. 1, 119th Cong. (2025)

² Tax Cuts and Jobs Act (TCJA), Pub. L. No. 115-97; H.R. 1, 115th Cong. (2017)

³ Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No 116-136, H.R. 748 (2020)

⁴ Jack Salmon, Budget Reconciliation Bill Targets Private Foundations, Philanthropy Roundtable, <https://www.philanthropyroundtable.org/budget-reconciliation-bill-targets-private-foundations/> (last visited August 1, 2025)

All legislative provisions described as “permanent” reflect the current administration’s enacted policies under the One Big Beautiful Bill Act. These provisions remain in effect unless modified or repealed by future legislative action.

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