



Welcome!

Charitable Giving in 2025 and Beyond: What the New Tax Laws Mean for You



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Charitable Giving in 2025 and Beyond:

What the New Tax Law (OBBBA)
Means for You

Episcopal Relief and Development

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How We Got Here

Does Your Mother Know?

Tax Cuts and Jobs Act (TCJA)

- Passed December 2017
- Made significant changes to longstanding tax rules
- Many rules were scheduled to sunset after December 31, 2025
- SOS! Would have been a *Waterloo* moment until ...



One Big Beautiful Bill Act (OBBBA)

- Signed into law July 4, 2025
- Extended many of the TCJA rules and made them “permanent”*
- Added some new provisions that planners should know

* “Permanent” in this context means many of the rules — unless indicated otherwise — are **not** scheduled to sunset under OBBBA. That does not preclude a future Congress from making any changes.





Estate Tax

Happy New Year!

Estate Tax Changes

- Current lifetime gift/estate exemption: \$13.99 million per person (2025)
 - Pre-OBBA: Would have dropped to ~\$7 million in 2026
- Under OBBA: **\$15 million** (2026) with future inflation indexing thereafter
- Planning opportunities:
 - Now there is certainty
 - For those subject to federal estate tax:
 - Gifting to the next generation
 - Charitable planning — donor-advised funds, charitable remainder trusts, charitable lead trusts, beneficiary designations on retirement accounts





Income Tax Changes

Money, Money, Money

Income Tax Brackets

- Lower marginal brackets established under TCJA made “permanent”
 - 10%, 12%, 22%, 24%, 32%, 35%, 37%
- Minor (*chiquitita*) change: OBBBA includes **extra inflation adjustment** for 10% and 12% brackets beginning 2026
 - A little more relief for low-income earners
- No change to the income thresholds for capital gains
 - Result: Plan carefully when harvesting gains at 0%
 - 0/15% CG income threshold @ \$96,700 vs 12%/22% ordinary @ \$96,950 (MFJ)



Standard Deduction

- Higher standard deduction established under TCJA made “permanent”
- Standard deduction amount for 2025 (originally announced in 2024) is increased slightly for 2025 under OBBBA

	Original 2025 (TCJA)	New 2025 (OBBBA)
Single	\$15,000	\$15,750
Head of Household	\$22,500	\$23,625
Married Filing Jointly	\$30,000	\$31,500



New Temporary Additional Deduction for 65+

- **New** additional below-the-line deduction for seniors 65+
 - \$6,000 per person
- Available 2025–2028 to **both** standard deduction and itemized deduction taxpayers
- Subject to income phaseouts
 - Phases out at 6% of MAGI over \$75,000 (S), \$150,000 (MFJ)
 - Completely phased out at \$175,000 (S), \$250,000 (MFJ)
- Result: Married couples both 65+ and below income phaseout would have total deduction of **\$46,700!** (standard \$34,700 + \$12,000 additional)
 - If only *one of us* is 65+ = **\$39,100** total possible deduction (standard \$33,100 + \$6,000 additional)



Standard vs. Itemized Deductions

- Taxpayers take the higher of the two — standard or itemized
- Higher standard deduction = fewer taxpayers who itemize
- Charitable deduction is an itemized deduction
- For standard deduction taxpayers, no tax benefit for charitable gifts*

*Except for a new OBBBA benefit — to be described shortly



SALT Deduction Increased (With Caveats)

- Under TCJA: State and Local Tax (SALT) deduction capped at \$10,000
- Under OBBBA: SALT deduction increases to **\$40,000 (2025)**
 - Not “permanent”! Only available 2025–2029 — increases 1% per year beginning 2026
 - 2030: Reverts back to \$10,000 cap
 - **Income phaseouts** based on modified adjusted gross income (MAGI)
 - Maximum phaseout results in no less than \$10,000 SALT deduction
- No restrictions on state Pass-Through Entity Tax (PTET) workarounds — still available to owners of pass-through entities — *the winner takes it all!*



Itemized Deduction Limit for 37% Bracket

- New limitation for taxpayers in 37% bracket (starting 2026)
- All itemized deductions reduced by 2/37
- Result: Value of deductions is only 35% instead of 37%
 - Unfortunately, that's *the name of the game*
 - For those in the 37% bracket — itemized deductions only save 35 cents on the dollar (not 37)
 - 37% bracket taxable income thresholds (2025):
 - Single = \$626,350+
 - Married filing jointly = \$751,600+



Changes to Charitable Giving

1. 37% itemized deduction limitation mentioned in previous slide
2. New 0.5%-of-AGI floor for charitable contributions (starting 2026)
 - In addition to existing upper AGI limits (60%/50%/30%)
 - Example: *Fernando's* AGI is \$200,000. He makes a **\$5,000** gift to his alma mater's *I Have a Dream* capital campaign and itemizes deductions
 - His available charitable deduction is **\$4,000** (excess over floor of [$\$200,000 \times 0.5\%$] = \$1,000)
 - If donor exceeds upper AGI limits and excess carries over, the amount disallowed under 0.5% floor also carries over



3. Return of Charitable Deduction for Non-Itemizers

- Similar to deduction available under CARES Act during pandemic
- For those who take standard deduction:
 - Charitable deduction of \$1,000 (single)/\$2,000 (joint) — beginning 2026
 - Not subject to 0.5%-of-AGI floor that applies to itemized charitable contributions
- Rules:
 - Cash contributions only (no appreciated property or other non-cash gifts)
 - Gifts to public charities only (no supporting organizations, no donor-advised funds)
- Important: This is a **below-the-line deduction!**
 - Does not reduce AGI, lowers taxable income



4. New Credit for Gifts to SGOs

- New tax credit up to \$1,700 for contributions to “Scholarship Granting Organizations” (SGOs)
 - SGOs fund K–12 scholarships in their state
 - States must opt in to participate (submit list of SGOs)
 - Beginning 2027



Charitable Planning Under OBBBA

- Depends on donor's AGI, age, and amount of annual giving
- Generally — if donor is subject to RMDs, **giving via qualified charitable distribution (QCD) is still the most tax-efficient way to give**, especially if annual giving is relatively small
 - QCD reduces gross income, which reduces AGI, vs. non-itemizer credit which does not reduce AGI
- If donor is a *super trouser* when it comes to giving (makes larger donations) and does not itemize — take advantage of the non-itemizer credit first, followed by QCD gifts



What To Do in 2025

- Make gifts using QCDs if eligible
- Accelerate future giving into 2025 when possible
 - “Bunching” multiple years of gifts into this year
 - Why? Get ahead of 2026 changes
 - 0.5% floor for charitable gifts
 - 37% bracket limitation



What To Do in 2026

- Tax planning will be critical
 - Tax projection in Oct.–Nov. to know where you stand
- Follow the giving “order of operations” for maximum tax efficiency



Giving “Order of Operations”

(For Maximum Tax Efficiency)

If donor **itemizes** deductions:

1. QCD (If Eligible)
2. Appreciated Securities
3. Cash Gifts

#1 and #2 take time; be sure to initiate well before 12/31!



Giving “Order of Operations”

(For Maximum Tax Efficiency)

If donor takes **standard** deduction:

1. Cash Gifts — Up to Maximum for Non-Itemizer Deduction (\$1,000/\$2,000)*
2. QCD (If Eligible)
3. Appreciated Securities
4. Cash Gifts

*Caveat: If donor’s giving for the year is **less** than the non-itemizer deduction maximum **and** they are eligible for QCD — the QCD will be preferable!


#2 and #3 take time; be sure to initiate well before 12/31!



What Else To Do?

- Review estate plan
- Update beneficiary designations
- Remember: Don't let the tax “tail” wag the dog (drive your decisions)
 - It's not always about taxes — it's about the mission of the organization





Other Non-Charitable Changes Under OBBBA

Other New Below-the-Line Deductions

- New! “No tax on tips”
- New! “No tax on overtime”
 - Income must meet certain rules (“qualified” tips and “qualified” overtime)
 - Deduction is limited — up to \$25,000 (tips), \$12,500/\$25,000 (overtime)
 - Deduction reduced by income phaseouts
 - Temporary: In effect 2025–2028
- New! Auto loan interest deduction
 - Applies to new loans after 12/31/2024
 - Cars must meet certain rules (“qualified passenger vehicle”) — made in USA
 - Deduction limited (up to \$10,000), reduced by income phaseouts
 - Temporary: In effect 2025–2028



OBBBA Changes to 529s and HSAs

- 529s
 - Expands list of qualified K–12 expenses, increases annual limit for these expenses to \$20,000 (2026)
 - Examples: Tutoring outside the home, fees for standardized tests, AP exams
 - New qualified expenses for postsecondary credentials
 - Example: Cost of CFP® certification education and exam
- HSAs
 - Expands definition of “High-Deductible Health Plan” to include Bronze and Catastrophic plans offered on ACA exchanges
 - Maintain eligibility while under a “primary care arrangement” (i.e., concierge primary care physician with monthly or annual fee)



New Trump Accounts for Minors

- Retirement savings for minors
- Individual must have SSN
- Can be funded from birth through the year they turn 17
 - Up to \$5,000 per year (beginning July 2026), indexed for inflation
 - No income requirement unlike IRAs, contributions not tax-deductible
 - Other entities can contribute on beneficiary's behalf, does not count toward annual limit
 - Employers can contribute on behalf of employee or their dependent, up to \$2,500 (does count toward annual limit)
 - Contributions to “Trump” account does not limit ability to contribute to IRA, if eligible – can do both!
 - Investments limited to US stock index funds with expense ratio of 0.1% or less
 - No distribution prior to the year beneficiary turns 18



New Trump Accounts for Minors

- The year beneficiary turns 18:
 - Investment rules no longer apply
 - Account looks like a traditional IRA but IRS guidance needed!
 - Can beneficiary roll entire account to a Roth? (Unclear)
 - Does pre-age 59½ distribution penalty apply? (It appears “yes”)
 - RMD and post-death rules? (Unclear but likely same as IRA)
- Planning opportunity: Pilot program!
 - Eligible child born in 2025, 2026, or 2027
 - US government will fund \$1,000 into Trump Account
 - IRS guidance needed



Clean Energy Credits — Going Away

- \$7,500 EV credit — ends after 9/30/25
- Residential Clean Energy Credit — ends after 12/31/25
- Energy Efficient Home Improvement Credit — ends after 12/31/25
 - Property must be in service by that date!



Conclusion

- *When all is said and done:*
 - There are many other changes in OBBBA that could not fit into this big, beautiful presentation
 - These changes will require careful planning and collaboration with donors' tax advisors
 - Don't let good tax planning — and your dollars — *slip through their fingers*
 - Charitable giving is not really about taxes but about the causes you care about





Thank You!

(For the Music)

Disclosures (*Mamma Mia!*)

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