What the One Big Beautiful Bill Means for Gift Planning

Presenters: Gary Pforzheimer
President

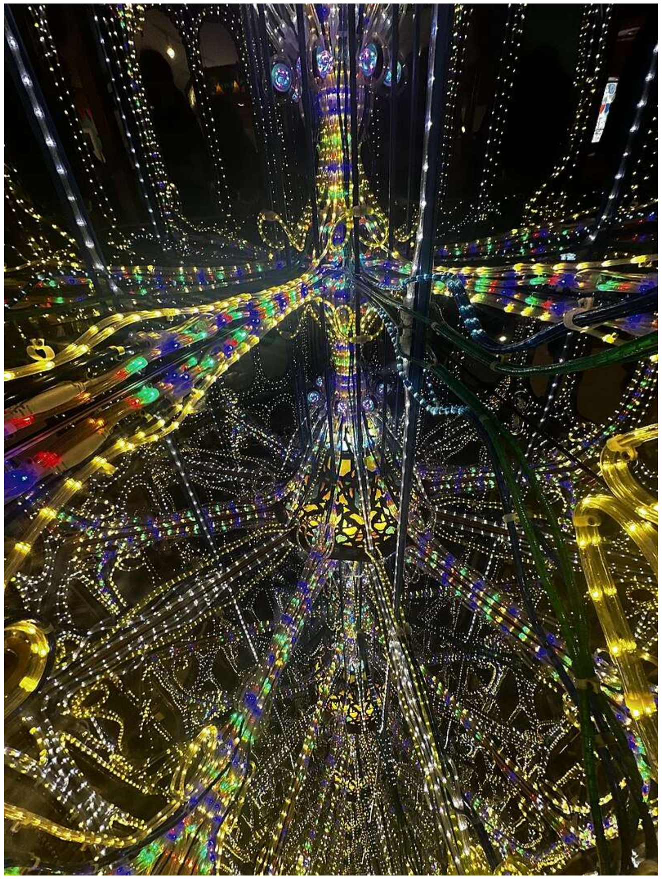
Craig Wruck
Senior Advisor

YOUR PARTNER IN PLANNED GIVING SUCCESS

The One Big Beautiful Bill Act

A legislative kaleidoscope: intricate and distracting patterns and details … by design

- Implements major parts of Trump agenda
- Rushed through in less than six months
- Overwhelming, but even narrowing our focus to taxes isn't too helpful …
    - No taxes on tips or overtime (for now)
    - Deduction for state & local taxes
    - Auto loans deductible (some of them)
    - Gambling loss deduction
- Our challenge: ferret out what matters for those contemplating a charitable gift



YOUR PARTNER IN PLANNED GIVING SUCCESS

Agenda

- Brief civics lesson – How did this happen?
- Changes affecting itemizers
  - 35% limit
  - 0.5% floor
  - 60% AGI limit
- Changes affecting non-itemizers
  - Deduction for non-itemizers
- Changes affecting everyone
  - Increased standard deduction
  - “Tax-free” Social Security benefits
  - Gift and Estate Tax Exemption increased & permanent
- Looking forward
- Q&A

YOUR PARTNER IN PLANNED GIVING SUCCESS

The “Regular Order”

Step 1 - The Brilliant Idea (Anyone can ask for anything)

Step 2 - The Bill Enters the Thunderdome (aka, "Introducing the Bill")

Step 3 - The Committee Cauldron (Where bills go to die.)

Step 4 - The Floor Fight (Let the grandstanding begin!)

Step 5 - The Bicameral Boomerang (Groundhog Day, Legislative Edition)

Step 6 - The Conference Committee Conundrum (Who can give the least?)

Step 7 - The Final Votes (We’ve come so far; don’t you change a thing!)

Step 8 - The Final Gauntlet (The President's Desk, AKA The Pen of Power)

Magical Mystery Tour: A “Reconciliation Bill”

Step 1 – (May 20) Introduce the President’s agenda (name it the “One Big Beautiful Bill Act”)

Step 2 – (June 16) Pass the OBBB through the House (just after dawn)

Step 3 – (July 1) Pass the OBBB in the Senate (jumping the regular order after arm wrestling the Parliamentarian to make it a Reconciliation Bill*)

Step 4 – (July 4) The President signs the OBBB (with fireworks following)

* A Reconciliation Bill is magically immune to a filibuster but it:

- Must deal only with mandatory spending or the debt limit (anything else, including discretionary spending, is off limits)
- Cannot increase the deficit after a ten-year period

PG Calc
A FOUNDATIONSOURCE COMPANY
YOUR PARTNER IN PLANNED GIVING SUCCESS

We’ve Only Just Begun, Next the…

- IRS will create regulations, procedures, advisories, and, finally, issue tax forms to grapple with enigmatic little gems like this:

  "(a) IN GENERAL.—In the case of an individual, the amount of the itemized deductions otherwise allowable for the taxable year (determined without regard to this section) shall be reduced by 2/37 of the lesser of:
    (1) such amount of itemized deductions, or
    (2) so much of the taxable income of the taxpayer for the taxable year (determined without regard to this section and increased by such amount of itemized deductions) as exceeds the dollar amount at which the 37 percent rate bracket under section 1 begins with respect to the taxpayer."

- Administration will, inevitably, fire off some Executive Orders
- Courts will hear complaints and issue injunctions and orders
- Legislators will introduce new bills to “fix” things (they’ve already started!)

For Itemizers: New 35% Limit

What changed?

- Before: the charitable deduction reduces total taxable income at the donor's highest marginal tax bracket
- After: the charitable deduction still reduces total taxable income but, beginning in 2026, the dollar value of the deduction will be limited to 35% for donors in the 37% bracket

Who's affected?

- Only those in the 37% tax bracket – less than 1% of all filers
- Taxable incomes greater than $626,350 single, $751,600 joint (in 2025)

How will they be affected?

- Instead of 37¢, they'll save 35¢ per dollar contributed

PG Calc A FOUNDATIONSOURCE COMPANY

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Itemizers: New 35% Limit

What to do?

- Check for references to 37% in marketing materials and presentations
- Update for 2026 to note the value of the deduction may be limited for donors in the very highest tax bracket

Make these points:

- Your contribution deduction still reduces your taxable income and saves taxes just like it always has
- If you’re fortunate enough to find yourself in the very highest income tax bracket, the OBBB will nick your savings by 2¢ per dollar contributed

For Itemizers: New 0.5% Floor

What changed?

- Before: The full contribution value was deductible
- After: Beginning in 2026, only the contribution value in excess of 0.5% of the donor's contribution base* will be deductible

* "contribution base" is adjusted gross income (AGI) computed without regard to things like net operating loss (NOL) deductions

Who's affected?

- Any taxpayer who claims an itemized deduction for a charitable contribution

How will they be affected?

- They'll have to reduce their total charitable deductions
- For most, the reduction will be 0.5% of AGI (*e.g. reduce by $500 if AGI is $100,000*)

For itemizers: New 0.5% Floor

What to do?

- Check for references to the charitable deduction in marketing materials and presentations
- Update for 2026 to note that the total value of charitable deductions will be reduced by 0.5% of AGI for most taxpayers

Make these points:

- Your contribution deduction still reduces your taxable income and saves taxes – just like it always has
- The OBBB requires you to give a certain minimum before you can deduct the rest

For Itemizers: 60% AGI Limit Unchanged

What changed?

- Before: The AGI limit for cash contributions was set to snap back to 50%
- After: Beginning in 2026, the 60% AGI limit for cash contributions is permanent

Who's affected?

- Potentially any taxpayer who claims an itemized deduction for charitable contributions of cash

How will they be affected?

- Not much because OBBB merely extends the existing limit and they'd need to give more than 50% in cash in one year

PG Calc
A FOUNDATIONSOURCE COMPANY

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Itemizers: 60% AGI Limit Unchanged

What to do?

- Check marketing materials and presentations to see if you've mentioned the AGI limit for cash contributions
- If so, make sure they refer to the 60% limit for cash contributions

Make these points:

- Your contribution deduction still reduces your taxable income and saves taxes just like it always has
- This change won't matter to you unless you give more than 50% of your Adjusted Gross Income in cash

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Non-Itemizers: New Charitable Deduction

What changed?

- Before: Non-itemizers received no income tax benefit from their charitable giving
- After: Beginning in 2026, non-itemizers will be allowed to deduct contributions up to $1,000 single and $2,000 joint, but contributions to DAFs will not be deductible

Who's affected?

- Any taxpayer who chooses the Standard Deduction

How will they be affected?

- Provides an incentive to the 90% of taxpayers who do not itemize

For Non-Itemizers: New Charitable Deduction

What to do?

- Seek opportunities to promote a new incentive for increased giving
- Anticipate temptation for non-itemizers to simply claim a deduction for gifts they'd planned to make anyway

Make these points:

- Educate donors about how the charitable deduction could save them taxes
- Point out how their additional contribution will make a difference

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Everyone: Increased Standard Deduction

What changed?

- Before: The Standard Deduction amount was set to decrease by about half in 2026
- After: Makes permanent the higher Standard Deduction, increases it for 2025, and indexes for inflation each year

Who's affected?

- Any taxpayer whose itemized deductions do not exceed the Standard Deduction amount
- $15,750 single, $31,500 joint filers (in 2025)

How will they be affected?

- A few more donors may will elect to not itemize and lose opportunity to claim a charitable deduction

For Everyone: Increased Standard Deduction

What to do?

- Don't panic! Although more than 90% of taxpayers claim the Standard Deduction, a majority of those at higher income levels itemize
- Remember: non-itemizers over age 70½ can achieve similar tax savings with a QCD contribution – and reduce taxable RMDs too!

Make these points:

- Educate donors about how the charitable deduction could save them taxes
- Suggest "deduction bunching" as a strategy

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Everyone: No tax on Social Security?

What changed?

- Before: Up to 85% of Social Security benefits taxable when income exceeds certain limits
- After: Up to 85% of Social Security benefits taxable when income exceeds certain limits

  … but there's now a new $6,000 deduction for Seniors

Who's affected?

- Taxpayers 65+ when income exceeds certain minimums but is not more than certain maximums

How will they be affected?

- Additional deduction reduces taxable income by up to $6,000
  - For itemizers & non-itemizers
  - In addition to existing age-based Standard Deduction

For Everyone: No tax on Social Security?

What the…?

- Confusing matters further: July 3 Social Security Administration mass email announces “90% of Social Security Beneficiaries” will pay no income tax
- Reasoning: if Standard Deduction plus new Senior Deduction is greater than total Social Security benefit, then there’s no tax on Social Security
- However: Senior Deduction is phased out beginning at $75,000 single / $150,000 joint, hits zero at $175,000 single / $250,000 joint, and available in 2025-28 only

Make these points:

- You may have heard confusing reporting about your Social Security income being tax free; check with your advisor, this may or may not apply to you

PG Calc A FOUNDATIONSOURCE COMPANY

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Everyone: Larger "Tax-Free" Estates

What changed?

- Before: The Gift & Estate Tax exemption amount was set to decrease by about half in 2026
- After: Makes permanent the higher Gift & Estate Tax exemption, sets the "tax-free estate" at $15 million per taxpayer ($30 million per couple) for 2026, and indexes for inflation each year

Who's affected?

- Any taxpayer whose lifetime taxable gifts and estate is $15 million or less ($30 million for couples)

How will they be affected?

- There will be no Federal Gift and Estate Taxes (but watch out for State estate taxes!)

YOUR PARTNER IN PLANNED GIVING SUCCESS

For Everyone: Larger “Tax-Free” Estates

What to do?

- Review and revise marketing materials and presentations for mentions of Gift and Estate Tax exemption amounts

Make these points:

- Remind donors that there is an unlimited charitable deduction for Gift and Estate Taxes
- Educate about how a charitable lead trust could work

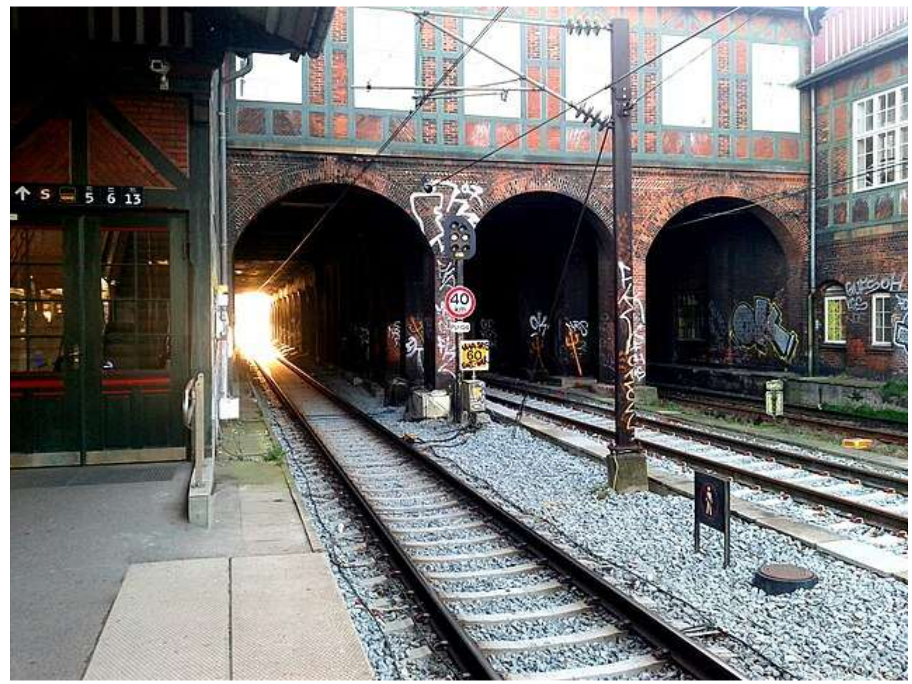
What Comes Next?

- “Wait and see” is not an option, have to say something to donors
- Piling on donors’ anxiety is not a winning cultivation strategy
- Taxpayers’ rational reaction to tax law changes is to adjust behavior to accommodate increased costs
- Charitable giving is optional, the most discretionary of expenditures
- Government funding cuts will increase need for contributions

Light at the End of the Tunnel or Oncoming Train?

Time will tell

- As donors make rational financial choices to accommodate the OBBB they may change or curtail giving
- Those who benefit from services offered by charitable organizations will be most directly affected
- Our challenge: champion the emotional reasons to give and reinforce tax incentives for giving



Reasons for Optimism

- Donors are plentiful – even if they give differently or cannot give as often as they would like
- Americans are generous – across all income levels
- Donors might consider unusual gifts, especially in these times
- Growing appreciation for the value of community
- Tax changes provide opportunities for new or renewed conversations

Questions?

Click the Q&A icon at the bottom of your screen.

YOUR PARTNER IN PLANNED GIVING SUCCESS

Still Have a Question?

Contact: Gary Pforzheimer

E-mail: gary@pgcalc.com

Contact: Craig Wruck

E-mail: cwruck@pgcalc.com