Morgan Stanley

One Big Beautiful Bill

Implications for Charitable Giving

The Tax Cut and Jobs Act of 2017 made significant changes to federal individual taxes but set most provisions to expire on December 31, 2025. The One Big Beautiful Bill Act (the "OBBBA"), signed July 2025, makes some provisions permanent while modifying others. Since most changes start in 2026, you have a unique window in 2025 to make charitable gifts under pre-OBBBA rules.

KEY IMPLICATIONS FOR CHARITABLE GIVING

FOR INDIVIDUALS

- **Universal (non-itemizer) deduction.** Starting in 2026, taxpayers who take the standard deduction can deduct up to $1,000 (single) / $2,000 (married filing jointly), adjusted for inflation over time, for cash gifts to public charities. Gifts to DAFs, supporting organizations, or private foundations don't qualify.
- **New "floor" for itemizers.** Itemized charitable deductions are allowed only to the extent annual giving exceeds 0.5% of the donor's "contribution base," which is essentially adjusted gross income (e.g., first $1,000 on $200K AGI cannot be deducted). Amounts disallowed under this rule carry over for up to five taxable years. Traditional AGI ceilings still apply above the floor (i.e., 60% cash to public charities; 30% appreciated assets). Carryforwards must clear the 0.5% AGI floor.
- **Cap on value of itemized deductions for top bracket.** Beginning January 1, 2026, if you're in the 37% bracket, the maximum benefit for a charitable deduction will be calculated using a 35% marginal income tax bracket.
- **QCDs unchanged.** Qualified charitable distributions from IRAs remain available for charities generally (DAFs not eligible).

FOR CORPORATIONS

- **1% floor on corporate charitable deductions.** C-corps can deduct only the portion of charitable giving above 1% of taxable income and are still subject to the 10% cap and 5-year carryforward. Amounts under the floor are generally lost unless paired with excess-over-cap carryforwards.

PRACTICAL PLANNING CONSIDERATIONS

- **Decide 2025 vs. 2026.** For large gifts, 2025 may yield better results (no 0.5% of AGI floor; no 35% tax bracket cap yet). Smaller donors who won't itemize can wait to use the 2026 universal deduction if donating cash directly to charities.
- **Bunch to clear the floor.** Combine gifts into a single year; align with income spikes to maximize deductibility above 0.5% of AGI.
- **Favor appreciated securities.** Still highly tax-efficient for sizable gifts; combine with bunching to clear the floor while watching AGI ceilings (e.g., 30% for LTCG assets).
- **Centralize/phased campaigns (for corporations).** Clear the 1% floor instead of scattering small gifts; monitor 10% cap and 5-year carryforwards.

IMPLICATIONS BY WEALTH BAND

STANDARD-DEDUCTION FILERS (<$250K AGI)

- **Net positive:** Many don't itemize; the $1K/$2K universal deduction gives a new tax benefit for small-to-moderate annual gifts made in cash. Expect slightly higher participation and more year-end cash gifts to operating charities (not DAFs).
- **Action:** Encourage recurring cash gifts up to the cap; verify gifts go to eligible public charities (not DAFs / supporting orgs).

UPPER-INCOME ITEMIZERS ($250K–$1M AGI)

- **Mixed:** The 0.5% AGI floor reduces deductions for "everyday" giving levels (e.g., $5K on $1M AGI —first $5K gets no benefit). Large gifts that clear the floor still deduct normally within AGI ceilings. Expect bunching behavior to surpass the floor in selected years.
- **Action:** Bunch gifts or use appreciated securities in years you also realize income (RSUs / bonuses) to both exceed the floor and maximize capital-gain avoidance. Consider timing gifts before 2026 if you're close to the top bracket and want today's 37% value.

UHNW ($1M+ AGI OR $10M+ NET WORTH)

- **Slight headwind at the margin:** The 35% cap trims the value of deductions for top-bracket givers. Combined with the 0.5% AGI floor, this nudges donors toward fewer, larger gifts or strategic bunching. Philanthropy driven by mission likely persists; tax efficiency dips slightly.
- **Action:** Time major gifts with income spikes (liquidity events, Roth conversions) to clear the floor and offset high-tax years. Keep using QCDs post-RMD age (except for DAF contributions) and non-cash gifts (publicly traded stock) to stack benefits.

IMPLICATIONS BY CLIENT SEGMENT

DONOR-ADVISED FUND ORIENTED FAMILIES

- **Narrowing for small donors:** DAF gifts don't count for the universal deduction, so entry-level donors may prefer direct gifts to operating charities. High-capacity donors still benefit from appreciated-asset gifts to DAFs but should note the 0.5% AGI floor and 35% cap when modeling deductions.
- **Action:** If planning a large DAF top-up, evaluate pre-2026 funding vs. post-2026 bunching; pair with high-income years.

BUSINESS OWNERS / CORPORATE GIVERS

- **Notable constraint:** Small and mid-sized C-corps lose deductions for routine, community-level giving unless it exceeds 1% of taxable income. Expect some shift to marketing / sponsorship (deductible as business expense) or consolidation of gifts to clear the floor.
- **Action:** Forecast taxable income, then set corporate giving budgets above 1% (if philanthropic goals support it) to preserve deductibility; track 10% cap and carryforward mechanics.

RETIREES USING IRAS

- **Stable opportunity:** QCDs are unchanged. They're still efficient for meeting RMDs and reducing AGI when the 0.5% floor could otherwise block deductions. But note that QCDs still cannot be made to DAFs.

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Did you know that as a Morgan Stanley Employee, Morgan Stanley will match contributions to your DAF?

You have 90 days to request a match of your contribution to your DAF account. When requesting a match for DAF contributions, search for Morgan Stanley Global Impact Funding Trust as the organization and provide your actual account details (e.g., DAF account name, account number, etc.) as part of the notes field.

As an asset gathering opportunity, ask your clients if their employers will similarly match their contributions to their MS GIFT DAF accounts.

For more information, visit:

Matching Gifts Program (or type matchinggifts/ into your browser)

Donor Advised Funds 3DR (or type DAF/ into your browser)