

## Increased charitable deductions from the OBBBA

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In our first report we estimated the change in annual charitable contributions for a permanent charitable deduction for nonitemizers: \$10,000-joint/\$5,000-single and \$1,000-joint/\$500-single. Our analysis estimated the larger deduction limit would result in roughly \$40 billion per year in extra donations, and the smaller deduction limit would result in approximately \$11 billion per year in extra donations. Neither of these estimates included the potential negative effect on charitable contributions of a 0.5 percent of AGI floor on itemized deductions.

Our back-of-the-envelope analysis is that the **currently enacted policy (effective 12/31/2025) would increase charitable deductions by \$19 billion per year from 2026 onward**. This incorporates the diminishing elasticity as the deduction limit increases as well as the small negative (disincentive) effects of the 0.5 percent of AGI floor (and the one percent floor on corporate donations).

We note that the disincentives of the 0.5 percent of AGI floor and the one percent floor on corporate donations that come into effect on 12/31/2025 might cause high net worth individuals and businesses to accelerate planned gifts into 2025.

**Table 1. Statistics of enacted and alternative charitable deduction policies**

<b>Provision</b>	<b>JCT 10-year cost (-) or revenue (+)<sup>a</sup></b>	<b>Ike/Rick 10-year cost (-) or revenue (+)</b>	<b>Ike/Rick Change in charitable contributions per year (starting in 2026)</b>
Permanent and expanded reinstatement of partial deduction \$2,000/\$1,000 for charitable contributions of individuals who do not elect to itemize	-\$73.8 Billion	-\$73 Billion	+\$19 Billion
0.5% of AGI floor on deduction of contributions made by individuals	+\$63.1 Billion	+\$75.5 Billion	
1.0% floor on deductions of charitable contributions made by corporations	+\$16.6 Billion	Not available	
Permanent and expanded reinstatement of partial deduction \$10,000/\$5,000 for charitable contributions of individuals who do not elect to itemize		-\$36.1 Billion	+\$40 Billion
Permanent and expanded reinstatement of partial deduction \$1,000/\$500 for charitable contributions of individuals who do not elect to itemize			+\$11 Billion

<sup>a</sup> JCT 10-year cost estimates come from “*Estimated Revenue Effects Of A Manager’s Amendment To The Tax Provisions To Provide Reconciliation Of The Fiscal Year 2025 Budget In The Senate Relative To Present Law*,” June 18, 2025. All the charitable deduction policies addressed in the Table are effective after 12/31/2025.