

## ***Impact of New Federal Tax Code on Philanthropy – A Guide***

Last year Congress addressed a variety of changes to the tax code in H.R.1, which was signed into law on July 4, 2025. The legislation included many shifts that impact nonprofits, for-profits, and individuals. In particular, the new law marks one of the most significant shifts to charitable giving rules in recent history, affecting how donors of all sizes, from small donors to major philanthropists and corporate partners, approach their contributions.

This guide highlights three major areas of impact.

### **Impact 1      The universal deduction returns: A win for every American household**

After years of advocating, the bipartisan effort to see a universal charitable deduction is now law.

Beginning in 2026, taxpayers who take the standard deduction will once again receive a limited tax deduction for charitable donations -- up to \$1,000 for individuals or \$2,000 for couples filing jointly. For the first time since the early pandemic years, roughly 90% of taxpayers who don't itemize their deductions will have a direct financial incentive to give.

### **Why it matters to Alaskans**

After tax law changed in 2017, Alaska moved from 22% of households claiming a charitable deduction on their taxes to 2%. This new law makes charitable deduction tax incentives available to all Alaskans who file their taxes and who make donations to charitable 501(c)(3) organizations.

### **What it means**

- This shift could re-energize small and mid-level giving for donors and nonprofits.
- Donors who previously felt their gifts didn't "count" financially now gain another tangible reason to contribute beyond the positive impact it has on the communities.
- Clear, inclusive messaging about this deduction can help first-time donors see their gifts as both having impact and being financially smart.

### **The details**

- *Deduction Amount:* Up to \$1,000 for single filers and \$2,000 for married couples filing jointly.
- *Above-the-Line:* This is an "above-the-line" deduction, meaning it is subtracted from a person's adjusted gross income (AGI) in addition to the standard deduction, reducing their taxable income directly.
- *Qualifying Gifts:* The deduction only applies to cash contributions (including checks, credit card charges, and payroll deductions) made directly to eligible 501(c)(3) public charities.

- *Exclusions:* Contributions to Donor-Advised Funds (DAFs) or private foundations do not qualify for this new deduction.
- *No Carryforward:* Unlike itemized deductions, any cash contributions exceeding the \$1,000/\$2,000 limit cannot be carried forward to future years.

### How it works – an example

- Filing status: **Married Filing Jointly**
- Combined income: **\$95,000**
- They give **\$1,500** to a charitable nonprofit organization or a tribe
- They take the **standard deduction**, not itemizing
- In 2026, married couples can deduct **up to \$2,000** in charitable giving even if they don't itemize
- Since they take the standard deduction, they wouldn't have received *any* charitable tax break under pre-2026 rules.

### How charitable nonprofits can respond

- Focus on building authentic relationships centering the connection between the individual donor and the mission.
- Educate supporters through regular communications, newsletters, or campaign pages.
- Simplify messaging: “Your gift now qualifies for a tax deduction, even if you don’t itemize!”
- Reinforce the connection between everyday generosity and community impact, not compliance.
- For those using Pick.Click.Give., reinforce the additional positive opportunity for Alaskans to participate in giving.

### Impact 2      New hurdles for itemized deductions: Major donors face a smaller deduction window

Under the new law, high-income donors will experience a modest reduction in their tax savings. The first 0.5% of income given will no longer be deductible, and the top marginal deduction rate drops slightly, from 37¢ to about 35¢ per donated dollar.

While the change may seem minor, for donors who give at scale – especially those considering multi-year commitments – it could influence timing, pledge structure, and giving vehicles.

### What it means

- Some donors may begin “bunching” multiple years of gifts into one tax year to optimize their deduction.
- Others might delay or restructure gifts through donor-advised funds or family foundations.

## Why it matters to Alaskans

Some Alaska organizations have seen a rise in giving through donor advised funds and retired minimum distributions from retirement investments. These are just two growing vehicles used by major donors. Too many nonprofits have not yet developed the communication and relationship structures to engage with donors or potential donors on these types of giving options. Organizations that have major donors need to hone their messages while other organizations still need to develop more relationship-based strategies and less event-based transitional strategies.

## The details

- 0.5% AGI Floor: Starting in 2026, itemizers can only deduct charitable contributions that exceed 0.5% of their adjusted gross income (AGI). This means a portion of every donation will no longer be deductible.
- 35% deduction cap: For donors in the top 37% federal income tax bracket, the tax benefit of itemized deductions (including charitable gifts) will be capped at 35% starting in 2026. This reduces the value of a donation from 37 cents on the dollar to 35 cents on the dollar.

## How it works – an example

- Filing status: **Married Filing Jointly**
- Income: **\$160,000**
- Charitable giving: **\$5,000** (cash contributions)
- They **itemize** their deductions
- IMPORTANT 2026 change: Only donations **above 0.5% of AGI** count toward the itemized charitable deduction.
  - 0.5% of \$160,000 = **\$800**
  - This \$800 is the “floor” they must pass before anything becomes deductible.
  - \$5,000-\$800 = **\$4,200** deductible amount

Before 2026 the FULL \$5,500 donation would have been deductible.

## How charitable nonprofits can respond

- Maintain transparent, collaborative communication with major donors.
- Provide clear information on long-term giving options such as pledges or planned gift vehicle options.
- Focus on building deeper more transformational relationships with donors and less transactional opportunities to encourage deeper trust and use of more tax advantaged tools for giving.
- Frame these discussions around values and impact first, not just tax advantages.

## **Impact 3      Corporate giving thresholds changed creating a potential negative impact**

For-profit corporations (of all sizes) will now need to contribute at least 1% of taxable income before their charitable gifts qualify for a deduction (up from no minimum previously). This new rule rewards established corporate philanthropists and challenges companies that gave sporadically or below that threshold.

### **Why it matters to Alaskans**

Alaska has a state-level incentive for corporate giving in the [education tax credit](#) that has proven to be a successful tool for corporate investment in Alaska. Many Alaska-based and locally owned businesses are also consistent investors in Alaska's nonprofit sector to strengthen the community where they operate, encourage employee engagement, and foster a strong state economy. Little data is available on overall giving in corporate Alaska so it is unclear how much each company will change its philanthropic behavior based on the new tax code.

### **What it could mean**

- Businesses giving below 1% may scale back or consolidate giving to meet the new standard.
- Business that already give above the 1% floor may seek deeper, more strategic partnerships.

### **The details**

- Effective permanently starting in 2026, for a corporation to claim a charitable contribution deduction, the total amount of contributions must be greater than 1% of the company's taxable income for the year.
- The deduction is limited to 10% of taxable income.
- Prior law: Previously, there was no floor on a corporation's charitable contribution deduction, but the 10%-of-taxable-income deduction limitation has been in effect for some time.

### **How it works – an example**

- Business type: Mid-sized corporation
- Taxable income: \$8,000,000
- Total charitable giving in 2026: \$120,000 in cash donations
- Deduction rules:
  - Corporate deduction cap remains 10% of taxable income
  - But only donations above 1% of taxable income are deductible (new rule)
    - 1% of \$8,000,000 = \$80,000
    - Total giving: \$120,000-\$80,000 = Deductible amount of \$40,000
    - Cap is 10%: 10% of \$8,000,000 = \$40,000

## How to respond

- Strengthen existing corporate relationships by showcasing measurable outcomes and positive community impact.
- Position partnerships as opportunities for long-term leadership and local visibility.
- Be prepared to demonstrate how your mission aligns with corporate social responsibility goals.
- Consider the opportunity as well to look at a different name for donations by using “Sponsorships” – by allowing any form of advertising to be made by the business in exchange for the amounts given would provide the business with tax deductions as ordinary and necessary business expenses under IRC 162.

## Other Significant Tax Changes (2026–2027)

- **Permanent 60% AGI Limit:** The ability to deduct cash gifts to public charities of up to 60% of AGI is now permanent, which helps in high-income years.
- **Increased Estate Tax Exemption:** The estate and gift tax exemption rises to \$15 million per individual (\$30 million per couple) in 2026 and is indexed for inflation thereafter.
- **New K-12 Scholarship Credit (2027):** Starting in 2027, a \$1,700 federal tax credit is available for contributions to state-approved, K-12 scholarship-granting organizations. Alaska’s governor “opted in” to this program in January 2026.
- **Qualified Charitable Distributions (QCDs) Unchanged:** For donors age 70½ or older, the rules for making tax-free transfers from an IRA directly to charity remain in place, making this a highly tax-efficient option (up to \$108,000 annually) that is unaffected by the 0.5% AGI floor