



## PREPARING YOUR DEVELOPMENT CALENDAR FOR THE 2026 TAX SHIFT: WHAT EVERY NONPROFIT NEEDS TO KNOW

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Understanding how tax changes affect nonprofit fundraising has never been more urgent. The One Big Beautiful Bill Act, signed into law on July 4, 2025, introduces the most significant changes to the tax code governing charitable giving rules in nearly a decade, and the implications for your development strategy are substantial. Beginning January 1, 2026, your high-income donors will receive meaningfully less tax savings from their contributions, which may alter both the timing and magnitude of their giving.

This shift in tax policy represents the most consequential revision to charitable tax deductions since the Tax Cuts and Jobs Act of 2017, which doubled the standard deduction and fundamentally changed which donors could claim itemized deductions. For development directors, executive directors, and fundraising teams across the nonprofit sector, from food banks addressing hunger to universities cultivating family donations, these 2026 charitable deduction changes demand immediate attention.

This analysis provides a practical framework for nonprofit leaders navigating the new landscape: what is changing in the tax code, how it affects donors across different tax brackets, and the strategic adjustments that merit consideration before the new charitable giving rules take effect.

### **WHAT ARE THE NEW CHARITABLE GIVING RULES YOUR DONORS WILL FACE?**

The charitable giving rules under the One Big Beautiful Bill Act introduce three primary provisions that directly affect donor behavior and tax savings. These changes, codified primarily in Section 70424 and Section 70426 of the legislation, fundamentally restructure the relationship between charitable contributions and tax benefits:

#### ***A New “Floor” on Charitable Tax Deductions (Section 70424)***

Beginning January 1, 2026, itemizing donors can only deduct charitable contributions that exceed 0.5% of their adjusted gross income (AGI). For a high-income donor household with \$2 million in AGI, this means the first \$10,000 of charitable giving produces no tax benefit whatsoever. This AGI floor, established under Section 70424, represents a fundamental departure from the current tax code, where every dollar of qualified giving generates a deduction.

For your organization, this means that mid-level donors, those giving \$1,000 to \$25,000 annually, may see their entire cash contribution fall below the deductibility threshold, potentially reducing their tax motivation for giving. Understanding how this floor interacts with your donors' marginal tax rate is

essential for effective solicitation conversations. Food banks, social service agencies providing food assistance, and other organizations dependent on broad donor bases should pay particular attention to how this floor affects their mid-level giving programs.

### ***A Cap on Tax Savings for Top Tax Brackets (Section 70426)***

For taxpayers in the 37% marginal tax rate bracket, Section 70426 caps the tax benefit of itemized charitable tax deductions at 35%. Your major donors giving \$100,000 will receive a \$35,000 tax benefit rather than the \$37,000 they would receive under current rules. While a 2% reduction may seem modest, the cumulative impact across a major gift program can be significant, and sophisticated high-income donors will notice the diminished tax savings.

It's worth noting that charitable contributions provide tax deductions rather than a federal tax credit, a distinction your fundraising teams should understand clearly when discussing tax benefits with donors. A deduction reduces taxable income, while a federal tax credit directly reduces taxes owed dollar-for-dollar. This distinction becomes increasingly important as donors evaluate the true after-tax cost of their generosity under the new charitable giving rules.

### ***A Universal Deduction for Non-Itemizers (With Limitations)***

On a more positive note, the Act creates a permanent above-the-line charitable deduction of up to \$1,000 for individuals (\$2,000 for married couples filing jointly) who take the standard deduction. This could benefit organizations with broad donor bases of smaller contributors who lost their tax deductions after the Tax Cuts and Jobs Act increased standard deduction thresholds. However, this provision specifically excludes gifts to donor-advised funds, private foundations, and supporting organizations.

## **2026 CHARITABLE TAX DEDUCTION CHANGES: BEFORE AND AFTER COMPARISON**

Tax Code Provision	Current Rules (Through 2025)	New Rules (Effective Jan. 1, 2026)
Deduction Floor (Section 70424)	No floor; first dollar is deductible	0.5% of AGI floor; contributions below threshold not deductible
Top Tax Bracket Benefit (Section 70426)	37% tax savings (37 cents per dollar)	Capped at 35% tax savings (35 cents per dollar)
Non-Itemizer Deduction	No deduction available for standard deduction filers	Up to \$1,000/\$2,000 above-the-line (excludes DAFs and foundations)
Cash Contribution Limit	Up to 60% of AGI for cash gifts	Effective cap reduced to 35% of AGI for top bracket
Estate Tax Exemption	\$13.61 million per individual	Increased to \$15 million per individual (\$30 million per couple)

## **HOW WILL THESE TAX CUTS AFFECT THE BROADER FUNDRAISING ENVIRONMENT?**

The 2026 tax policy changes arrive at a challenging moment for the nonprofit sector. According to Giving USA's 2025 report, total U.S. charitable giving reached \$592.5 billion in 2024, representing 6.3% growth over the prior year.<sup>1</sup> However, this headline figure masks a concerning underlying trend: donor counts have declined for four consecutive years, with a 4.5% year-over-year drop in 2024.<sup>2</sup>

This “dollars up, donors down” phenomenon means charitable giving is concentrating among fewer, larger donors, precisely the high-income donors most affected by the new tax deduction provisions under Section 70424 and Section 70426. Major gift fundraising programs will need to account for donors who may accelerate planned gifts into 2025 or adopt multi-year “bunching” strategies that consolidate several years of cash contributions into alternating tax years to maximize tax savings.

Corporate giving patterns may also shift as businesses evaluate how the changing tax code affects their charitable strategies. While corporate contributions represent a smaller share of total giving than individual donations, they often provide critical operational support and sponsorship revenue that many nonprofits depend upon, including food banks that rely on corporate partners for food assistance distribution infrastructure.

Additionally, many nonprofits already face pressure from projected declines in federal funding. The Brookings Institution estimates that discretionary spending cuts could reduce federal support by 8% or more for approximately one-third of nonprofits that receive government grants.<sup>3</sup> Organizations providing food assistance, housing services, and other safety-net programs are particularly vulnerable to this federal funding uncertainty. Fundraising teams simultaneously navigating government funding reductions and changing donor tax incentives will need particularly robust nonprofit development strategy and revenue diversification plans.

## **STRATEGIC ADJUSTMENTS FOR YOUR DEVELOPMENT PROGRAM**

With the new charitable giving rules now in effect, organizations must adapt their approaches to maintain donor relationships and optimize giving under the changed tax landscape. The nonprofits that thrive will be those that help donors navigate the new provisions while keeping mission impact at the center of every conversation. Consider the following strategic adjustments:

### ***Adapt Your Year-End Giving Campaign Strategy for the New Rules***

With the AGI floor and deduction cap now in effect, your year-end giving campaign strategy must evolve. The most significant shift involves helping donors understand and plan around the 0.5% AGI floor established under Section 70424. For many high-income donors, smaller annual gifts no longer generate any tax benefit, which creates both a challenge and an opportunity for your development program.

Consider reframing your solicitation calendar around “bunching” strategies. Rather than asking for consistent annual gifts, you might encourage donors to consolidate two or three years of intended giving into a single year, pushing their contributions well above the AGI floor and maximizing tax savings. A donor who planned to give \$20,000 annually might now achieve greater tax efficiency by giving \$60,000 every third year, using a donor-advised fund to maintain their regular grant schedule to your organization.

Your messaging should acknowledge the new tax landscape while emphasizing impact. Many donors are still learning how Section 70424 and Section 70426 affect their specific situations. Position your organization as a knowledgeable partner that can help them give effectively under the new charitable giving rules without crossing into providing tax advice.

### ***Train Your Fundraising Teams on the New Tax Landscape***

Your fundraising teams are now on the front lines of donor conversations about the 2026 changes. Ensure gift officers, major gift staff, and even annual fund personnel understand the key provisions, particularly

the distinction between tax deductions and a federal tax credit, which donors sometimes confuse. Well-informed fundraising teams can position your organization as a knowledgeable partner without crossing into providing tax advice.

Effective tax-efficient giving education might include one-page summaries comparing scenarios for different marginal tax rate levels under the new rules, FAQs addressing common donor questions about the current charitable giving rules and tax deductions, and talking points referencing the specific provisions in Section 70424 and Section 70426. Position your organization as a knowledgeable partner that understands donors' broader financial context, a hallmark of [sophisticated financial planning approaches](#).

### ***Strengthen Your Donor-Advised Fund Cultivation Approach***

Donor-advised funds (DAFs) have grown dramatically as a giving vehicle, with the 2025 DAF Fundraising Report indicating 300% growth in DAF usage among top 50 major donors.<sup>4</sup> Under the current tax code rules, DAFs have become even more strategically valuable because they enable high-income donors to "bunch" multiple years of giving into a single tax year, claiming an immediate tax deduction that exceeds the AGI floor while recommending grants to your organization over time.

Expect DAF giving to accelerate throughout 2026 as donors and their advisors implement bunching strategies in response to Section 70424. Donor-advised fund cultivation presents unique challenges: sponsoring organizations (such as Fidelity Charitable or Schwab Charitable) typically do not share donor contact information for anonymous gifts. The same research shows DAF donors retain at a 60% rate compared to 46% for non-DAF donors, but cultivating these relationships requires intentional strategies for identifying DAF donors in your database and creating stewardship pathways despite limited information. Food banks and other direct-service organizations should pay particular attention to DAF trends, as these funds are increasingly used for recurring support of food assistance programs.

### ***Promote Appreciated Asset Gifts Beyond Cash Contributions***

While cash contributions remain the most common form of charitable giving, contributing long-term appreciated securities directly to charity remains one of the most powerful tax-efficient giving strategies available to high-income donors, and its relative advantage has increased under the new rules. By transferring appreciated stock rather than selling and donating the proceeds, donors can typically deduct the full fair market value while avoiding capital gains tax on the appreciation entirely, generating superior tax savings compared to equivalent cash gifts.

Ensure your organization can efficiently accept stock gifts and that your gift officers are comfortable discussing this option with appropriate prospects. The Bank of America 2025 Study of Philanthropy found that 62% of self-described "expert donors" track their giving's effectiveness, compared to just 20% of affluent donors overall.<sup>5</sup> These sophisticated donors in upper tax brackets are precisely the population most likely to utilize complex giving vehicles, and to appreciate organizations that facilitate tax-efficient generosity under the new charitable giving rules.

### ***Expand Qualified Charitable Distribution Outreach***

Qualified Charitable Distributions (QCDs) allow individuals over age 70½ to transfer up to \$108,000 directly from IRAs to qualified charities in 2026. Critically, QCDs are excluded from taxable income and are completely unaffected by the new AGI floor and tax deduction cap provisions established in Section

70424 and Section 70426, making them significantly more attractive now that other giving channels face reduced tax benefits.

For organizations with significant donor bases of retirement-age supporters, QCDs should become a primary focus of your 2026 fundraising strategy. Consider targeted communications to donors over 70 explaining how QCDs now offer relative tax advantages compared to traditional cash contributions. Ensure your gift processing systems can properly handle and acknowledge IRA rollover gifts, and train your fundraising teams to discuss this option confidently with appropriate prospects.

### ***Cultivate Planned Gifts and Multi-Generational Family Donations***

The new tax landscape creates natural opportunities to discuss planned gifts with donors who are reevaluating their overall charitable strategy. Charitable remainder trusts, charitable gift annuities, and bequest commitments offer different tax treatment than outright gifts, and may become more attractive to donors whose itemized tax deductions are now constrained by the AGI floor under Section 70424.

The increased estate tax exemption, now \$15 million per individual (\$30 million per couple) under the One Big Beautiful Bill Act, means fewer estates will face federal estate tax. However, this creates opportunities to reframe charitable conversations. Donors who previously considered charitable bequests primarily for estate tax reduction may now be more receptive to discussions about legacy, values transmission, and family donations that engage multiple generations in philanthropic decision-making.

Planned gifts and family donations also align with the wealth transfer trends reshaping philanthropy. Cerulli Associates projects \$124 trillion will transfer between generations over the next 25 years, with approximately \$18 trillion flowing to charity.<sup>6</sup> Organizations that cultivate planned giving programs and engage donors' children and grandchildren in family donations position themselves to benefit from this historic wealth transfer while offering meaningful tax planning alternatives.

### **HOW SHOULD BOARDS ADDRESS THESE TAX CODE CHANGES?**

The 2026 tax policy changes warrant board-level attention. Engaged boards that understand the fundraising environment, including how shifts in tax deductions, tax brackets, and the estate tax exemption affect donor behavior, can provide more effective governance and support development efforts. Research from BoardSource indicates that nonprofits with highly engaged boards achieve 17% higher fundraising growth than those with less engaged governance.<sup>7</sup>

Consider scheduling a board education session on the charitable giving rules changes and their implications for your organization's revenue outlook. This discussion should address both immediate adaptation strategies and longer-term questions about nonprofit revenue diversification. Organizations overly dependent on a small number of high-income donors, or those like food banks heavily reliant on corporate giving for food assistance programs, should examine whether their funding model remains sustainable as tax savings from charitable giving diminish for top earners.

Board members themselves may be among your most sophisticated donors, and may be personally navigating their own charitable strategies, including planned gifts and family donations, under the new rules. Just as [comprehensive estate planning](#) requires coordination across multiple professional

disciplines, effective philanthropic planning increasingly requires alignment between donors' charitable intentions, tax circumstances, and giving vehicles.

## **COMMUNICATING WITH DONORS: BALANCING TAX SAVINGS AND MISSION**

As donors adjust to the new tax landscape, your communications should lead with mission, not tax deductions. Donors give because they care about your work; tax savings are facilitators, not motivators. Communications that feel overly transactional or focused on tax mechanics risk undermining the relationship-centered approach that sustains long-term philanthropy.

Consider messaging that acknowledges the tax policy environment while centering impact: "As you plan your charitable giving for 2026, we wanted to share how your support continues to advance our mission, and how we can help you give effectively under the new charitable giving rules." For food banks, this might include concrete metrics: "Your generosity provided 50,000 meals through our food assistance programs last year." This approach respects donor intelligence, provides useful information about tax deductions, and maintains focus on the outcomes that matter most.

For organizations serving high-income donors with complex financial situations, consider partnering with wealth management professionals who understand both the philanthropic and financial dimensions of major giving and family donations. A [coordinated family office approach](#) can help donors integrate charitable strategies with broader wealth management objectives—ensuring that generosity aligns with tax planning, estate tax exemption considerations, and investment management across all tax brackets.

## **KEY TAKEAWAYS: WHAT THIS MEANS FOR YOUR DEVELOPMENT STRATEGY**

- The 2026 charitable giving rules under Section 70424 and Section 70426 are now in effect, introducing a 0.5% AGI floor and 35% cap on tax deductions that reduce tax savings for your most significant high-income donors.
- Bunching strategies – consolidating multiple years of giving into a single year using donor-advised funds – will become increasingly common as donors adapt to the AGI floor.
- Fundraising teams should understand the distinction between tax deductions and a federal tax credit when discussing giving options with donors navigating the new tax code.
- QCDs, planned gifts, family donations, and appreciated securities offer alternative pathways unaffected or less affected by the new provisions, diversify your solicitation strategies beyond cash contributions.
- Organizations including food banks should evaluate how the increased estate tax exemption and changing tax brackets affect their major gift and planned giving programs.

## **LOOKING AHEAD: PHILANTHROPY IN THE NEW TAX POLICY ENVIRONMENT**

The 2026 charitable giving rules are now reshaping the development landscape. While the tax code provisions under Section 70424 and Section 70426 reduce some tax savings from giving, they do not eliminate them, and for most donors, the motivation to support meaningful causes, from food banks addressing hunger to universities advancing research, extends well beyond tax deductions.

What the changes do require is more intentional planning, both by your high-income donors and by your organization. The nonprofits that will thrive are those that invest in training fundraising teams on how tax changes affect nonprofit fundraising, educate their donors about tax brackets and giving options without overstepping into tax advice, and adapt their solicitation strategies to encourage family donations,

planned gifts, bunching through DAFs, and other vehicles that work effectively within the new realities of the tax code.

The year ahead presents an important opportunity to demonstrate the sophisticated, donor-centered approach that builds lasting philanthropic relationships. We encourage nonprofit leaders, whether leading food assistance programs, educational institutions, or cultural organizations, to discuss these considerations with their development teams, boards, and professional advisors to determine how the 2026 tax policy changes affect their organizations and what strategic adjustments will position them for continued success.

## Important Disclosures

*This article is provided for informational and educational purposes only and does not constitute personalized investment, tax, legal, or financial advice. The information presented reflects general principles and may not be applicable to your organization's or donors' individual situations. Tax laws are complex and subject to change; the specific impact of any tax provision, including Section 70424 and Section 70426, depends on particular circumstances.*

*Nonprofit organizations should consult with qualified legal and tax professionals regarding specific fundraising strategies and donor communications. Nothing in this article should be construed as tax advice to donors. Charitable contributions generally provide tax deductions, not a federal tax credit; the specific tax benefit depends on individual donor circumstances.*

*Generally, a donor advised fund is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a sponsoring organization. Each account is composed of contributions made by individual donors. Once the donor makes the contribution the organization has legal control over it. However, the donor, or donor's representative, retains advisory privileges with respect to the distribution of funds and the investment assets in the account. Donors take a tax deduction for all contributions at the time they are made, even though the money may not be dispersed to a charity until much later. Because you receive the tax benefit immediately, your contribution is irrevocable, which means your assets cannot be returned to you for any reason.*

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## References

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3. The Brookings Institution. (2025). *Federal Budget Impact Analysis: Implications for Nonprofit Organizations*. Estimated 8% reduction in discretionary spending affecting approximately one-third of nonprofits receiving federal grants.
4. Chariot and K2D Strategies. (2025). *2025 DAF Fundraising Report*. 300% growth in DAF usage among top 50 major donors; DAF donor retention rate of 60% vs. 46% for non-DAF donors.
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7. BoardSource. (2024). *Leading with Intent: BoardSource Index of Nonprofit Board Practices*. Nonprofits with highly engaged boards achieve 17% higher fundraising growth.