



2025 Tax Act Income Tax/Charitable Contribution Provisions

Woodland Hills Tax & Estate Planning Council
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Positives

- 60% AGI limit for § 170 deduction for cash gifts to public charities made permanent
 - “Stacking” allowed for donors who make both cash and noncash gifts to the same charity
 - E.g. a donor may deduct gifts of appreciated stock (30% AGI) and deduct a gift of cash (60% AGI) to the same charity, so long as the combined amount does not exceed 60% AGI
- New above the line § 170 deduction for non-itemizers of up to \$1,000 (\$2,000 for joint filers)
 - Less than 10% of taxpayers itemize deductions



Positives

- New non-refundable tax credit for cash contributions to scholarship granting organizations (SGO)
 - Credit = 100% of contribution
 - Capped at \$3,400 for joint filers
 - SGOs must be state-certified
- SGO scholarships are excluded from gross income

Negatives

- New 0.5% AGI floor for itemized charitable contribution deductions
- 1% floor for corporate charitable deductions
- Limitation on the effective value of itemized deductions to 35% for high-income taxpayers

0.5% AGI floor for charitable deductions

- Effective beginning in 2026
- The 0.5% floor operates independently from the AGI percentage limitations
- Contributions are subject to the floor based on ordering rules:
 1. Capital gain property to private foundations (20% AGI limitation)
 2. Capital gain property to public charities (30% AGI limitation)
 3. Cash to private foundations (30% AGI limitation)
 4. Conservation easements (50% AGI limitation)
 5. Noncash gift to public charities (50% AGI limitation)
 6. Cash to public charities (60% AGI limitation)
- Maximizes deductibility by applying the limitation last to the highest-limitation gifts

0.5% AGI floor for charitable deductions

Example:

- AGI \$500,000
- 0.5% of AGI = \$2,500 is not deductible
- If contribution is \$10,000, donor may deduct only \$7,500
- The floor applies in addition to the 2/37 adjustment

Carryover of disallowed deductions

- §170 deductions disallowed because they fall below the 0.5% AGI floor may be carried forward up to 5 years
- Added to available deductions in the carryover year, subject to both the 0.5% floor and AGI limitation that applied to the contribution
- *But only if the donor also has a carryover of deductions disallowed due to the AGI limitations*

Limitation on itemized deductions

- §68 provides that itemized deductions otherwise allowable are reduced by 2/37 of the lesser of
 - The amount of itemized deductions, or
 - The amount of taxable income (increased by the amount of itemized deductions) subject to the top 37% tax rate
- (37% rate applies to taxable income over \$730,000 for married filing jointly)
- This limitation effectively caps the value of itemized deductions at 35%, even if the taxpayer is in the 37% bracket



0.5% AGI floor for charitable deductions and 2/37 limitation

Example:

- AGI \$50,000,000
- 30% AGI = \$15,000,000
- Contribution = \$10,000,000
- 0.5% of AGI = \$250,000 is not deductible and carries over
- Net deduction this year of \$9,750,000 would reduce federal tax by \$3,412,500 rather than \$3,607,500 as a result of 2/37 limitation. Tax savings reduced by \$195,000

Form 1099 Reporting Threshold

- Certain payments made by persons engaged in a trade/business must be reported on Form 1099, e.g., payments to independent contractors
- The current threshold is \$600 for most payments
- The legislation raises the threshold to \$2,000 as of 2026
- Adjusted for inflation after 2026

No Tax on Tips/Overtime

- Effective for 2025 – 2028:
 - \$25,000 of “qualified tips” can be excluded
 - Phase out for taxpayers with AGI over \$150,000/\$300,000
 - \$12,500/\$25,000 of “overtime compensation” can be excluded
 - Phase out for taxpayers with AGI over \$150,000/\$300,000



Car Loan Interest Deduction

- Up to \$10,000 deduction for interest paid for a qualified vehicle
- Lease payments do not qualify
- Must be a new vehicle for personal use weighing less than 14,000 lbs.
- Loan secured by the vehicle
- Final assembly of vehicle must occur in the US
- Phase out for taxpayers with AGI over \$100,000/\$200,000

SALT Cap Deduction

- SALT Cap raised to \$40,000 beginning in 2025
- Cap is \$40,400 for 2026
- For years 2027 – 2029 Cap will increase by 1%/year
- Cap reverts to \$10,000 in 2030
- Phase down (but not below \$10,000) for taxpayers with AGI over \$500,000



Questions?

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Thank you!