



HIGHTOWER  
Westchester



**2025 Year-End Charitable  
Giving Opportunities**

As the year winds down, now is the time to consider making charitable contributions before the December 31 deadline to qualify for tax deductions for the 2025 calendar year.

Earlier this year, the One Big Beautiful Bill Act (OBBBA) was enacted, bringing significant changes to the charitable giving landscape, especially for high-income earners. The legislation introduces reduced benefits for itemized deductions, adjustments to the estate tax exemption, and a higher deduction floor.

While many of these provisions won't take effect until 2026, donations made in 2025 are still governed by the previous rules. That means this year presents a valuable window of opportunity for tax-conscious donors to maximize their impact and deductions.

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Let's take a closer look at what's changing and more importantly, how you can take advantage of the current rules before they shift.

## WHAT'S NEW FOR 2026

- **Above-the-line deduction for non-itemizers:** You can deduct up to \$1,000 (single) or \$2,000 (married filing jointly) for charitable gifts, even if you don't itemize, but donor-advised fund (DAF) gifts and some other gift types are excluded.
- **New floor on your charitable deduction for itemizers:** The new law adds a minimum charitable contribution rate if you itemize your deductions. Itemized charitable deductions will only be allowed for the portion of gifts exceeding 0.5% of Adjusted Gross Income (AGI). This means that small gifts may lose tax value.
- **Cap on deduction value for high earners:** Under the current law, taxpayers in the top tax bracket get the full tax benefit of their 37% marginal rate. For example, a top earner receives a 37-cent benefit for every \$1 deducted. Beginning in 2026, the benefit will be capped at 35 cents per dollar, which means a \$10,000 charitable contribution yields \$3,500 in federal income tax savings instead of \$3,700.

## WHAT'S STAYING

- **Tax brackets:** The new law permanently extends the 10%, 12%, 22%, 24%, 32%, 35% and 37% tax rates.
- **Deduction limits for cash gifts:** If you itemize, you can continue to deduct cash gifts to public charities, including DAFs, up to 60% of your AGI.
- **Standard deduction:** Most taxpayers will continue to use the elevated standard deduction – \$15,750 for individuals and \$31,500 for married couples in 2025 indexed for inflation going forward.
- **Estate tax exemption:** The federal estate and gift tax exemption will remain high and increase to \$15 million per individual in 2026.

## POTENTIAL STEPS TO TAKE BEFORE YEAR-END

### Maximizing Charitable Impact with Gift Bunching and Donor-Advised Funds

- If you typically take the standard deduction, consider bunching several years' worth of charitable cash donations into 2025 to exceed the threshold and itemize deductions this year. This allows you to claim the full deduction under pre-2026 rules. A donor-advised fund (DAF) is a practical tool for this strategy. Bunching – combining multiple years' donations into one – and itemizing in the year you bunch, while taking the standard deduction in other years, can be especially beneficial when the tax savings from itemizing are only slightly higher than the standard deduction.
- **Note:** Gifts to DAFs won't qualify for the 2026 above-the-line non-itemizer deduction but they are still excellent for bunching in 2025.

	Option 1 NO BUNCHING		Option 2 BUNCHING	
	2024	2025	2024	2025
Charitable deductions	\$17,000	\$17,000	\$0	\$34,000
Other deductions	\$10,000	\$10,000	\$10,000	\$10,000
Total	\$27,000	\$27,000	\$10,000	\$44,000
Deduction (Standardized)	\$29,200	\$31,500	\$29,200	\$0
Deduction (Itemized)	\$0	\$0	\$0	\$44,000
Total deductions over 2 years	\$60,700		\$73,200	
Additional deduction amount (assuming 20% effective tax rate)	Additional deduction amount: \$12,500 Estimated tax savings: \$2,500			

*The above example is for illustrative purposes only. Please consult a tax advisor to understand the implications of this strategy based on your particular situation.*

*\*Please note that limits on itemized deductions exist for high-income taxpayers. Please consult with your tax advisor for more details.*



### **Make large outright gifts now to preserve full tax benefits**

As a result of the 35% cap on deduction value taking effect in 2026, making large cash or appreciated-asset gifts in 2025 preserves full pre-cap tax benefits (subject to normal AGI limits and carryforwards). Consider giving appreciated securities to avoid capital gain and claim a charitable deduction under 2025 rules.

### **Use IRA QCDs if you're 70 1/2 or older to reduce taxable income**

A Qualified Charitable Distribution (QCD) allows you to donate up to \$108,000 per individual, \$216,000 if married, directly from an IRA to a qualified charity. It counts toward your Required Minimum Distribution (RMD) and is excluded from taxable income, even if it exceeds your RMD. This can help you stay in a lower tax bracket and potentially avoid the 3.8% net investment income tax on capital gains, interest, and other investment income, applicable to taxpayers with modified adjusted gross incomes above certain thresholds (e.g., \$250,000 for married couples).

QCDs bypass itemized deductions and the 0.5% floor, making them a powerful tool to reduce taxable income. If eligible, consider making a QCD before year-end or plan ahead for 2026. There are also special one-time QCD options to fund Charitable Remainder Trusts (CRTs) or Charitable Gift Annuities (CGAs) in 2025. Consult your advisor or charity for details.

### **It is also important to note the following:**

- Using required minimum distributions (RMD), which begin at age 73, for QCDs is often advantageous.
- QCDs cannot be made from employer-sponsored retirement plans such as 401(k)s and 403(b)s.
- QCDs cannot be made to private foundations, supporting organizations or donor-advised funds.
- The timing of QCDs is important so as not to inadvertently generate taxable income. For example, if you were to take a \$15,000 RMD early in the year and then toward year-end make a \$15,000 QCD, the \$15,000 QCD will not offset the RMD you made earlier in the year; the IRS would treat the first \$15,000 as taxable income.
- You must inform your tax advisor when you make a QCD, as the standard 1099-R tax document provided by IRA administrators does not distinguish between the types of withdrawals made.



## Donate appreciated securities to avoid capital gains and claim deductions

Gifting appreciated publicly traded securities to public charities is a valuable strategy in any tax year. It offers a dual benefit: a charitable deduction (if you itemize) equal to the asset's fair market value at the time of donation, and elimination of capital gains tax you would otherwise owe upon selling the asset. This approach is especially useful after tax-loss harvesting, when you've sold unprofitable investments at a loss.

**Note:** Donations of appreciated securities are subject to a 30% adjusted gross income (AGI) limit, compared to the 60% limit for cash donations. However, any excess deduction can be carried forward for up to five years.

To make sure the gift is processed by **12/31/2025**, execute transfers early. Timing matters. Consider acting sooner rather than later, as charity staff may be unavailable closer to the holidays.

		Appreciated Stock Donation	Cash Donation
<b>Description</b>		Donating 1,000 shares of company X purchased five years ago with cost basis of \$25 and fair market value today of \$45	Selling 1,000 shares of company X purchased five years ago with cost basis of \$25 and fair market value today of \$45
<b>Fair market value</b>		\$45,000	\$45,000
<b>Capital gains tax paid (20% for long-term gains)*</b>		\$0	\$4,000
<b>Charitable contribution and tax deduction</b>		\$45,000	\$41,000
<b>Tax Savings</b>	From avoiding capital gains tax	\$4,000	\$0
	From itemized deduction (assuming 20% effective tax rate)**	\$9,000	\$8,200
	<b>Total</b>	<b>\$13,000</b>	<b>\$8,200</b>
<p><b>Bottom Line:</b> Donating appreciated stock rather than selling the stock to fund the donation results in:</p> <ul style="list-style-type: none"> <li>■ \$4,000 more going to charity</li> <li>■ \$4,800 in additional net tax savings</li> </ul>			

*Important note: The above example is for illustration purposes only. Please consult a tax advisor to understand the implications of this strategy based on your particular situation.*

*\*Assumes donor earns \$533,400 or more. Donor will pay a 15% rate if they earn less than \$533,400.*

*\*\*Assumes donor's AGI exceeds \$150,000 and therefore that the charitable deduction for the donation does not exceed 0.3% of the donor's AGI. Source: Donating IPO stock. (n.d.). Schwab Brokerage. Retrieved October 23, 2024, from <https://www.schwabcharitable.org/non-cash-assets/ipo-stock>*



### **Charitable vehicles that can preserve value after 2025: CRTs and CGAs**

Consider charitable remainder trusts (CRTs) or charitable gift annuities (CGAs) for income planning and partial tax benefits. In 2025, one-time Qualified Charitable Distribution (QCD) provisions tied to CRT/CGA funding are being highlighted by advisors, because the IRA owner can use up to \$54,000 of their QCD to fund a CRT or CGA. These vehicles can help balance charitable goals with income needs while offering potential tax deductions. CRTs provide income to a noncharitable beneficiary during the trust term, with remaining assets going to charity. A CRT is a more complex structure, so consult legal and financial counsel to determine suitability for large gifts.

### **READY TO MAKE A MEANINGFUL IMPACT?**

2025 offers a special opportunity to give generously while optimizing your tax strategy before new rules take effect in 2026. Whether you're considering bunching donations, leveraging appreciated assets, or exploring charitable vehicles like DAFs or CRTs, now is the time to act.

Let's turn your generosity into lasting impact. Contact us today to schedule a year-end planning session or get answers to your questions.



# HIGHTOWER

## Westchester

440 MAMARONECK AVENUE, SUITE 506  
HARRISON, NY 10528  
(914) 825-8630  
HIGHTOWERWESTCHESTER.COM

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