

CLOWES, GALLAHUE & YOU.

OBBA: What You Need to Know

A new tax law, the One Big Beautiful Bill Act, may affect how you plan for your contributions to Butler beginning this year. The impact will depend upon your unique financial circumstances and whether or not you itemize your income tax deductions.

For Non-Itemizers:

There is very good news for donors who do not itemize. As of January 1, 2026, non-itemizers will be allowed to deduct up to \$1,000 in charitable contributions and couples filing jointly will be able to deduct up to \$2,000. This deduction will reduce your taxable income and save you taxes.

If you itemize your income tax deductions, there are two new rules that may limit your tax savings in 2026. The effects are modest and will depend upon your own circumstances.

For Itemizers:

The charitable deduction for itemizers will be subject to a new “floor” before deductions begin. For most itemizers, charitable contributions will not be deductible until the total exceeds 0.5% of Adjusted Gross Income (AGI) for most taxpayers. For example, if your AGI is \$100,000, the first \$500 of your total charitable contributions for the year will not be deductible, but all of the rest will.

In addition, donors who are in the very highest income tax bracket and pay 37% will have the tax savings value of their charitable deduction capped at 35%. The charitable deduction will still reduce your taxable income and save taxes, but if you are in the 37% bracket your tax savings will be limited to 35%, a reduction in tax savings of 2¢ for each dollar you contribute.

For Estates:

The OBBB makes permanent and indexes for inflation the higher exemption from Gift and Estate taxes which was set to expire at the end of 2025. This means individuals will be able to pass a total of \$15 million in lifetime and estate giving to heirs with no Federal tax.

We look forward to collaborating with you to help ensure your contributions to Butler University make the most of these tax incentives for charitable giving.