

Important Tax Changes for 2025 End-of-Year Giving

With the end of the year quickly approaching, we want to share upcoming tax law changes that could influence your charitable contributions.

New regulations taking effect on January 1, 2026, may impact the timing and method of your support to Punahou and other cherished nonprofits. By understanding these changes now, you can strategically plan your giving to maximize both its impact and your potential tax advantages.

Here are four key changes we want to share with you:

1. New minimum for charitable deductions

Starting in 2026, itemizers will face a “floor” on charitable deductions. The first 0.5% of a donor’s Adjusted Gross Income (AGI) will not be deductible

- Example: For a donor with a \$200,000 AGI, the first \$1,000 (0.5% of \$200,000) in charitable gifts won’t qualify for a tax deduction.

Only the gift amount above the 0.5% of AGI “floor” will count toward a deduction.

- Plan thoughtfully: Work with a financial or tax advisor to strategically manage the timing of your giving to maximize your potential tax benefits.

2. Higher standard deduction in 2026

The standard deduction in 2026 is:

- \$15,750 (up from \$15,000) for individuals
- \$31,500 for joint filers (up from \$30,000)

This will push more taxpayers into non-itemizer status as fewer households will meet the threshold.

3. Charitable deduction cap at 35%

Starting next year, the tax benefit from charitable deduction is capped at 35%. This is true even for donors currently in the top tax bracket (37%).

- Let’s say you are in the 37% tax bracket and donate \$10,000. Currently, you might expect to save \$3,700 in taxes (37% of \$10,000). However, with the new 35% cap, your tax benefit will be limited to \$3,500 (35% of \$10,000), even though your tax bracket is higher. This means you would receive \$200 less in tax savings than before.

For donors giving appreciated assets (e.g. stocks, crypto, real property) the window to take the larger deduction is closing.

4. Charitable giving for non-itemizers

- For the first time since 2021, non-itemizers will get a tax break for charitable giving in 2026.
- Gifts of cash up to \$1,000 for individuals or \$2,000 for couples will be deductible even if you take the standard deduction and do not itemize.
- Donations to DAFs and private foundations are not eligible for this new deduction

These upcoming changes create a valuable opportunity to review your strategy for giving. While tax considerations are important, the most critical elements remain your generosity and the profound impact it has on Punahou's students and mission. This information is not intended to be a substitute for the advice of your own financial or legal advisor.

Every gift, regardless of size, helps Punahou provide an exceptional educational experience. If you are interested in reviewing your gift planning, contact Carrie Ogami, Director of Gift Planning at 808.944.5845 or cogami@punahou.edu.

For more information about ways to give to Punahou, visit giftplanning.punahou.edu.