CCS FUNDRAISING

The Impact of 2025 Tax Policy Changes on Philanthropy

Legislation enacted in 2025 has introduced policy changes that may affect your nonprofit. Here are some relevant changes for your reference, along with their implications and strategies to react.

The past, present, and future

Historical patterns offer valuable insight.
While the future continues to evolve, past policy shifts have had meaningful impacts on philanthropic behavior. By examining these trends, your organization can make informed adjustments to your strategy.

Now is the time to act.
Your nonprofit should continue engaging donors, conduct scenario planning, and adapt fundraising strategies to remain resilient and responsive in a changing landscape. A proactive approach is key.

Upcoming tax changes may influence giving behaviors.
Beginning in 2026, new tax laws are expected to shape how donors approach charitable giving. While broad-based donors may benefit from increased incentives, creating opportunities to grow donor pipelines, high-income and corporate donors may experience reduced tax advantages, potentially leading to a decline in giving at the top of the donor pyramid.

What you should know

Policy changes may impact individual, corporate, and government philanthropy.
For a breakdown of changes and how to respond, see the next page.

There is a new tax on high executive compensation.
New regulations require nonprofits to pay taxes on compensation above $1M for any current or former employee. This may raise operating costs and could increase donor scrutiny of overhead and governance practices.

Donor-advised funds (DAFs) and family foundations are unique.
These funds are pre-allocated for philanthropy and can be deployed regardless of the tax environment.

Some sectors are more impacted than others.
Some sectors are experiencing different levels of change. For a wide-lens look at sector giving trends from 2024 data and 2025 events, see page 72 of the CCS Philanthropic Landscape report.

Proactive strategies to thrive during change

1. Engage broad-based individual donors (entry-level, lapsed, and younger donors) who historically make lower-level gifts to demonstrate how their gift matters, especially as needs increase due to other funding shifts. This group may take advantage of the deduction for non-itemizers. *See anticipated effect 1.*
2. Communicate upcoming tax changes to donors now; they may increase their giving to you. Segment for major individual and corporate donors who may want to accelerate giving before tax changes go into effect. *See anticipated effect 2, 3, 4.*
3. Engage funders and constituents to deepen relationships and explore collaboration. Move beyond transactional giving and cultivate long-term relationships. Focus on shared values and tangible impact to emphasize the alignment between the organization's mission and the donor's goals. *See anticipated effect 1, 3, 4.*
4. The concept of "peak giving years" may become more central to individual and corporate donor behavior due to "bunching tax strategies." Organizations may benefit from aligning campaign phases, stewardship cycles, and calendar-year strategies around this rhythm, as well as developing flexible multi-year commitment structures. *See anticipated effect 2, 4.*
5. Revisit 2025 campaign and year-end fundraising strategies to capture 2026 momentum in advance of these tax changes. *See anticipated effect 2, 4.*
6. Educate staff on tax changes and alternative giving vehicles now. High-net-worth donors may increasingly turn to strategic giving vehicles such as donor-advised funds or multi-year pledges to navigate the new limits. *See anticipated effect 3.*
7. Evaluate revenue sources and areas most vulnerable to funding cuts. Use forecasting to estimate impacts to programs, and identify areas of opportunity for diversified revenue streams to help bridge budgetary gaps. *See anticipated effect 5.*
8. Prepare other leadership for anticipated changes. Ensure board and staff understand the organization's financial and strategic position. Develop a process for making timely, informed decisions to remain agile amid rapidly evolving circumstances. *See anticipated effect 4, 5.*

The Impact of 2025 Tax Policy Changes on Philanthropy

CCS FUNDRAISING

	A **Current:** What's happening now?[1]	B **Past:** What do we know from historical data?	C **Future:** What is the anticipated effect?	
Individuals	**Standard Deduction:** Individuals who do not itemize can claim a deduction of up to $1,000 ($2,000 for joint filers) for charitable contributions. *This does not include giving to donor-advised funds.*	During the CARES Act period (2020-2021), tens of millions of households took advantage of a similar, lesser deduction ($300), contributing an estimated $30 billion to charity.[3]	When this goes into effect in 2026, more broad-based donors may be incentivized to increase giving. This could most heavily impact institutions receiving support from high numbers of annual donors who give under $1,000. *See strategies 1, 3.*	1
Individuals	**AGI Floor:** Itemizers will only be able to claim a deduction to the extent that their cash contributions exceed 0.5% of their adjusted gross income (AGI). For example, a couple with an AGI of $300,000 could only deduct charitable donations in excess of $1,500.	The 2017 Tax Cuts and Jobs Act eliminated federal charitable giving incentives for about 20% of US income-tax payers. It is estimated that this reduced charitable giving by $16 billion annually.[4]	This reduces but does not eliminate tax benefits for cash gifts. Donors will likely accelerate giving in 2025 before this takes effect. Starting in 2026, major donors may be more inclined to apply a bunching strategy (ie. giving at the beginning and end of every other year). *See strategies 2, 4, 5.*	2
Individuals	**Deduction Cap:** Tax benefits of itemized charitable deductions will be capped at 35%, affecting those in the 37% marginal tax rate bracket. The highest-income filers donating $1,000 will receive a $350 deduction instead of the current $370.	Households subject to the highest marginal tax rate bracket donated 52% of itemized gifts in 2022.[5]	Research estimates that this limit on deductions will result in a 3.2% - 6.3% decrease in giving from high-income filers, representing a $41–$61 billion reduction over 10 years.[5] *See strategies 2, 3, 5, 6.*	3
Corporate	**Deduction Floor:** Corporations must contribute at least 1% of their taxable income to qualify for a tax deduction. The 10% ceiling for the deduction remains, along with a five-year carry-forward for gifts over 10%. Sponsorship remains deductible as a marketing expense. Sponsorship opportunities remain deductible as a "qualified sponsorship payment."	In 2024, charitable contributions from corporations totaled $44.4 billion.[6]	Research estimates the average annual reduction in corporate charitable giving to be approximately $4.5 billion. Corporations will likely also implement "bunching strategies". Nonprofits will lean more heavily on sponsorships.[8] *See strategies 2, 3, 4, 5, 8.*	4
Government	**Significant Cuts:** The Department of Government Efficiency reports the termination of 15,488 grants estimating a $44 billion reduction (as of August 2025). USAID and the Department of Health and Human Services face the largest cuts. Additionally, Medicaid will decrease by $1.2 trillion and SNAP will decrease by $186 billion over 10 years.[2]	Approximately 30% of nonprofits report receiving grants funding from the government, worth a total of $303 billion annually.[7]	Nonprofits that rely on funding from agencies that are reduced or discontinued may face budget constraints that individual or institutional giving may not fully offset. Fundraising narratives that emphasize urgency, community need, and long-term sustainability may resonate more deeply at this time. *See strategies 7, 8.*	5

Sources

1. 119th Congress, "H.R.1 - One Big Beautiful Bill Act" (2025).
2. Department of Government Efficiency, "Wall of Receipts".
3. Internal Revenue Service, "SOI Tax Stats-Historic table 2".
4. National Bureau of Economic Research, "Tax Incentives for Charitable Giving: New Findings from the TCJA" (2024)
5. Indiana University Lilly Family School of Philanthropy, "Impact of Tax Proposals on Charitable Giving" (2025).
6. Giving USA, "The Annual Report on Philanthropy for the Year 2024" (2025).
7. Internal Revenue Service, "Tax Exempt Organization Search".
8. EY Quantitative Economics and Statistics (QUEST) practice, "Estimate of reduction in corporate charitable giving resulting from the proposed 1% floor on deduction of charitable contributions made by corporations" (2025).