

Charitable Planning Strategies Under the Overarching Impact of OBBBA

Presented by

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Disclaimer

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Overview

highlights & lowlights

One Big Beautiful Bill Act (“OBBA”) Selected Opportunities and Challenges

- Impact on Charitable Giving
 - Individuals
 - Corporations
 - Irrevocable Trusts
- SALT Rules!
- Limitations on Itemized Deductions
 - Individuals
 - Trusts

What’s Not New, But Improved

- Qualified Charitable Distributions
- Enhanced Charitable Impact with retirement assets

Charitable Conversations

Circa 2026 and Beyond

- By continuing to engage our clients in conversations that help them develop and put plans in place to achieve their Enlightened Dreams for themselves, their families, other loved ones and their philanthropic passions, we are keeping what matters most to them at the forefront of their thoughts and actions.

How to Attract Charitably Motivated Clients

- Share your story
 - Include charitable planning in your messaging to your World
 - Reach out to charities in your area and let them know you advise clients with respect to Planned Giving
- Invite the Conversation with Every Client
 - Percentage of Clients who include Charitable Bequests in their planning documents when the estate planning advisor*:
 - Makes no reference to charity - **5%**
 - Asks “would you like to leave any money to charity?” - **10.4%**
 - Shares “many of our clients leave money to charity. Are there any causes you’re passionate about?” - **15.4%**
- What happens when a client shares their passions with you?

*Survey by Cabinet Office Behavioral Insights Team (2013) among 1,000 testators

One Big Beautiful Bill Act (“OBBBA” “O-B3”)

July 4, 2025

- Great change
- A lot to digest
- Many areas to coordinate
- Keep a chart handy of all the applicable phaseouts
- Greater need for collaboration with professional advisor team

Transfer Tax Exemptions: Goodbye Sunset

- \$15 million per person in 2026
 - Gift, Estate and GSTT
 - Indexed for inflation beginning in 2027
 - 99.8% of Americans are not subject to the Federal Transfer Tax system
- Portability is Forever (Gift & Estate only)
 - Portability Only return- within 5 years of DOD – Rev. Proc. 2022-32
- IRC Section 1014 basis rules LIVE
- Annual Exclusion for 2026 remains at \$19,000*

*Have all your clients made their intended AE gifts for 2026?

2026 Standard Deduction With OBBBA increases

Standard Deduction – Under age 65

- \$16,100 Individuals
- \$32,200 Married, filing jointly
- \$24,150 Head of household

2026 Standard Deduction with Senior Bonus for all...

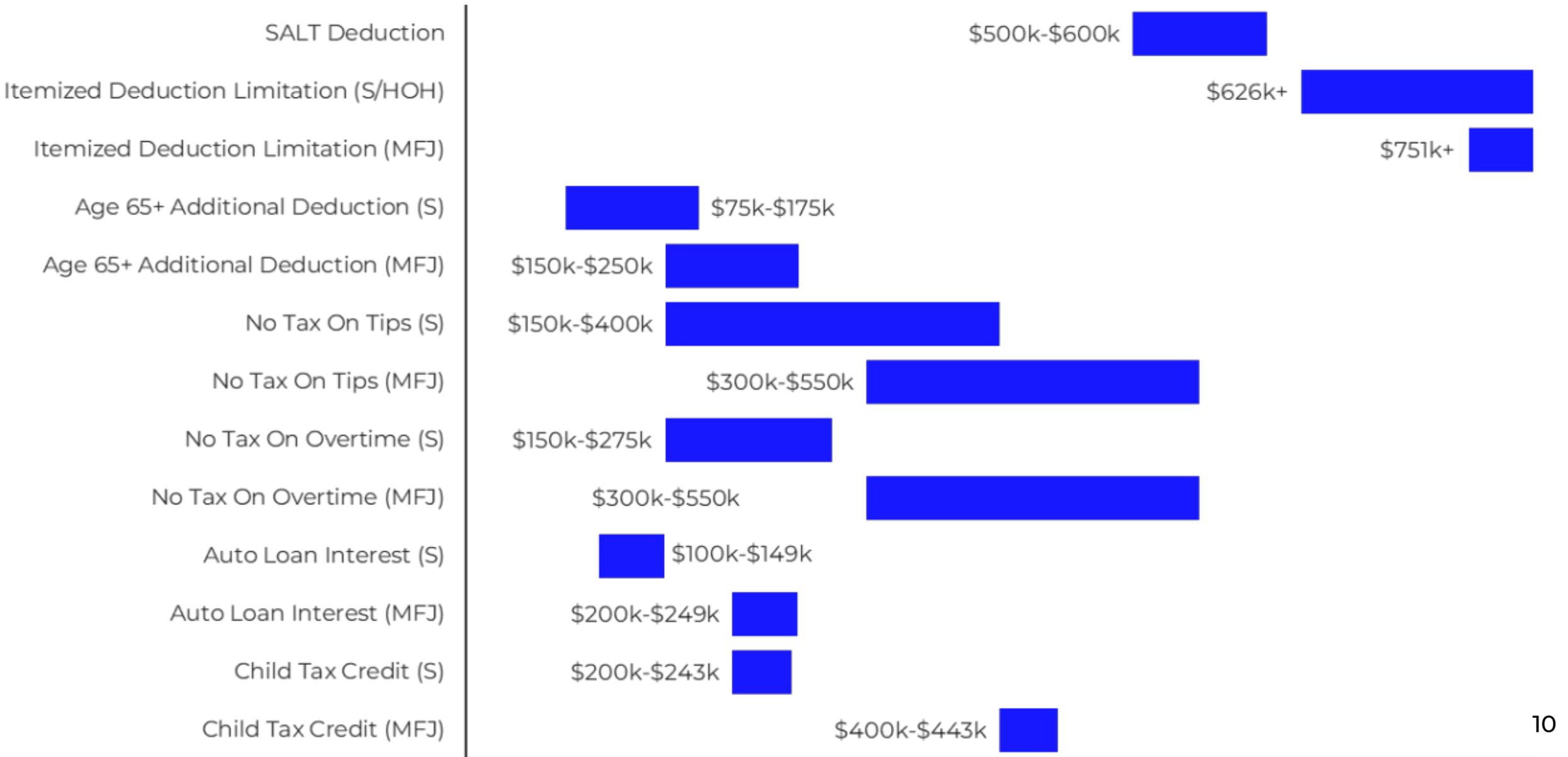
65 or Older Standard Deduction

- \$18,150 Individuals ($\$2,050 + \$16,100$)
- \$35,500 Married, filing jointly ($\$1,650 + \$1,650 + \$32,200$)
- \$26,200 Head of household ($\$2,050 + \$24,150$)

Bonus Senior Deduction \$6,000-for all - itemizers and non-itemizers

- Age 65 and older
- Times 2 when married filing jointly, both 65 and older
- Only for years 2025-2029 and subject to phase-out from \$75,000 to \$150,000 AGI Individuals, \$150,000 to \$250,000 AGI joint

Phaseout Ranges For Tax Provisions Under OBBBA



Charitable Income Tax Deduction changes taking place for tax years beginning in 2026

- For taxpayers taking the Standard Deduction (Non-itemizers) there is a new above-the-line deduction of up to:
 - \$1,000 for single filers, and
 - \$2,000 for married couples filing jointly
 - Gifts of *cash*, only
 - Gifts to Public charities only (not DAFs)

Historic Deduction Limitations

- The increase of the charitable deduction limit for cash contributions by individuals to a “public charity” from 50% to **60%** of AGI that was part of the 2017 Tax Cuts and Jobs Act and was scheduled to sunset ***has been made permanent.***
- Public Charity AGI Limits:
 - 60 % Cash
 - 30% Capital Gain Property
- Private Foundation AGI Limits:
 - 30% Cash
 - 20% Capital Gain Property

Historic Limitations Value Marketable Securities

Marketable Securities – IRC Section 170(e)(5)*

Mutual Fund \$50,000 Invested, current value \$100,000

- Public Charity “Amount”
 - \$50,000, if not held more than one year
 - \$100,000, if held more than one year
- Private Foundation “Amount”
 - \$50,000, if not held more than one year
 - \$100,000, if held more than one year*

Historic Limitations Value

Capital Asset other than Marketable Securities

10 Acres on the bay

Purchased for \$200,000, current FMV \$800,000

- Public Charity “Amount”
 - \$200,000, if not held more than one year
 - \$800,000, if held more than one year
- Private Foundation “Amount”
 - \$200,000, if not held more than one year
 - *\$200,000, if held more than one year*

2026: New Floor for Charitable Deductions - Individuals

- There is a new "floor" for charitable contribution deductions for individuals who itemize deductions:
 - Beginning in 2026, individuals who itemize their deductions can only deduct charitable contributions that exceed 0.5% of their adjusted gross income (AGI) for the year. In other words, the first 0.5% of AGI in charitable contributions is not be deductible.

Floor Carryforward Individuals

- Carryforward Mechanism of Floor Amount: If total contributions:
 - exceed the 0.5% floor, AND;
 - exceed the applicable percentage limitations (60% limitation for cash, 30% limitation for property to public charities), the portion that exceeds these limits can be carried forward.
- Amounts not Carried Forward: If you do not exceed the 60% (or 30%/50%) limit for public charities, the 0.5% floor acts as a permanent, non-deductible reduction for that year.

2026: New Floor for Charitable Deductions - Corporations

- Also, beginning in 2026, Corporations will have a new 1% floor for charitable contributions and will only be able to deduct charitable contributions in excess of 1% of taxable income.
- Corporations continue to have their charitable income tax deduction limited to 10% of taxable income.
 - Any charitable contributions in excess of 10% of the corporation's taxable income may be carried forward for 5 years. In such case, the 1% floor amount is also carried forward.

2026: New Floor for Charitable Deductions

Examples

- Jacqueline's AGI in 2026 is \$200,000. She makes \$22,000 in charitable gifts in 2026. If Jacqueline itemizes her deductions, she is only able to claim \$21,000 ($0.5\% \times \$200,000 = \$1,000$ disallowed*).
- Harry's AGI in 2026 is \$500,000. He makes \$10,000 in charitable gifts in 2026. If Harry itemizes his deductions, he is only able to claim \$7,500 ($0.5\% \times \$500,000 = \$2,500$ disallowed*).
- Mary's AGI in 2026 is \$950,000. She makes \$200,000 in charitable gifts in 2026. If Jacqueline itemizes her deductions, she is only able to claim \$195,250 ($0.5\% \times \$950,000 = \$4,750$ disallowed*).

* Disallowed amount *might* be carried forward

More OBBBA Gymnastics via IRC Section 68

37% Tax Bracket – Red Alert...

- If you itemize deductions, then,
 - For income amount subject to the 37% bracket, there's a
 - $2/37^{\text{th}}$ of itemized deduction reduction
 - Effect, 37% bracket, deduction capped at 35%...
- Examples follows

Example 2/37th Disallowance

Single Taxpayer

- John, a single taxpayer, has AGI of \$700,000 and net itemized deductions of \$150,000. The 37% bracket begins at \$640,600 (2026).

John's disallowed amount is calculated as follows:

- 2/37 multiplied by the lesser of:
 - \$59,400 ($\$700,000 - \$640,600$)
 - \$150,000 net itemized deductions
- $\$59,400 \times 2/37 = \$3,211$ is the disallowed amount

Example 2/37th Disallowance

Married filing Joint Taxpayer

- Dax and Rachel have AGI of \$1,200,000 in 2026 and net itemized deductions of \$300,000. The 37% bracket begins at \$768,600 (2026).

Dax and Rachel's disallowed amount is calculated as follows:

- 2/37 multiplied by the lesser of:
 - \$431,400 (\$1,200,000-\$768,600)
 - \$300,000 net itemized deductions
- $\$300,000 \times 2/37 = \$16,216$ is the disallowed amount

Tax Benefits for Non-Itemizers

In addition to \$1,000/\$2,000

- Married couple under age 65 taking the standard deduction (\$32,200)
 - Example for 2026:
 - State and local taxes: \$15,000
 - Charitable gifts: \$15,000 cash
 - How could the couple gain a tax benefit?
 - Give \$15,000 appreciated securities instead of cash
 - Avoid ever having to pay tax on the appreciation
 - Not Federal, nor
 - State, nor
 - Local

Potential Planning Strategies

- Bunching charitable donations increases in Power
 - Minimizes the effect of the annual 0.5% floor on charitable deductions
 - Example taxpayer with \$100,000 AGI in 2026 and 2027
 - Gift \$10,000 each year:
 - \$10,000 gift in 2026 reduced to \$9,500;
 - and \$10,000 gift in 2027 reduced to \$9500
 - Gift \$20,000 in 2026 reduced to \$19,500
 - No gift in 2027
 - Repeat in 2028 with \$20,000 gift...

Tax Savvy Non-Cash Gifts

Stock (double benefit for itemizers)

\$100,000 NVIDIA Inc. / cost basis of \$25,000 / 1+ year

- Sale: net proceeds of \$82,150 (\$100,000 - \$17,850)
 - $\$75,000 \times 23.8\% = \$17,850$ capital gains tax – Federal tax
- Instead, give to NVIDIA stock to the University of Florida
 - Avoid paying any tax on the gain
 - Charitable income tax deduction of \$100,000
 - Deductible in year of gift up to 30% of AGI
 - Any unused portion carried forward for up to 5 additional years
 - UF sells the stock and receives \$100,000
- Similar results for appreciated real estate and other non-cash assets.

A Donor Advised Fund

Can create instant itemizers & facilitate “bunching”

- Establish a DAF with a gift to:
 - A Community Foundation
 - Commercial DAF (Schwab, Vanguard, Fidelity, etc.)
- DAFs are now very popular and relatively simple
- Enables Itemizing Opportunity
 - Charitable deduction in year of gift to the DAF
 - Bunching deductions
 - Timing with an income spike
- Flexibility
 - Can separate:
 - Year of charitable income tax deduction from
 - Year of charitable impact

The Charitable “Swap”

- But... I like my NVIDIA Stock and want to keep it!
- Give it to Gator Nation anyway,
 - use the cash you otherwise would have donated to UF and buy more NVIDIA, and
 - obtain a “tax-free basis increase” in the new shares of NVIDIA versus the old shares.

More SALT Please

Thank you

- OBBBA increases the limit on the deduction for State and Local taxes in 2025 from \$10,000 to \$40,000 for individuals and married couples filing jointly. The SALT deduction cap increases by 1% each year as follows:
 - \$40,000 in 2025
 - \$40,400 in 2026
 - \$40,804 in 2027
 - \$41,212 in 2028
 - \$41,624 in 2029
 - \$10,000 in 2030 and beyond, absent new law

Expected Increase in Itemized Deduction Use

- The number of itemizers is expected to increase by approximately 5 million taxpayers (~10%)
 - Estimated 23 million itemizers for 2025 (~14%)
 - primarily because of the increase of the cap on the deduction for personal state and local taxes from \$10,000 to \$40,000

Even More SALT, Please

- For even more SALT, clients can consider creating Non-Grantor Irrevocable Trusts:
 - Fund with income producing property – taxable gift on funding
 - Income shifts to Trusts
 - Beneficiaries often children, grandchildren, etc.
 - Allows for planning on trust distributions to beneficiaries in states with no income tax

Charitable Giving from Non-grantor Irrevocable Trusts

- IRC Section 642(c)
 - Charitable income tax deduction up to 100% of the Trust's taxable income
 - Must be language in the Trust from beginning:
 - Authorizing trustee to make charitable distributions from trust income
 - Can require consent of 3rd party
 - Rev. Rul. 2004-5 trust benefit of charitable deduction from pass-through entity
 - Include language in all new irrevocable trusts
 - Avoid/beware Marital deduction trusts (spouse only bene requirement)
- The new 0.5% charitable deduction limitation for individuals does not limit the §642(c) trust and estate charitable deduction

IRC Section 68

Limit on Itemized Deductions

- New limit for Non-Grantor Trusts and Estates in the 37% tax bracket?
 - Effect of only providing a deduction against 35% tax rate
- The new IRC Section 68 deduction limitation of 2/37ths will reduce itemized deductions for trusts and estates (37% tax bracket at \$16,000 in 2026). However, many tax professionals believe this was an error and are lobbying the Treasury and Congress for a clarification/fix to IRC bring back 68(e) or provide the 2/37 limitation doesn't apply to Sections 642(c), 651 and 661. Stay tuned...
- ***Code Section 68(e)*** –see below- was ***eliminated by OBBBA. RIP***
 - **(e)EXCEPTION FOR ESTATES AND TRUSTS.** This section shall not apply to any estate or trust.

Charitable Lead Trusts

- If the 2/37th limitation does indeed apply to non-grantor irrevocable trusts, how will that impact charitable lead trusts?
- CLTs are taxable trusts. Under IRC Section 642(c) CLTs receive a charitable income tax deduction equal to the amount paid to the charitable beneficiary(ies) annually
- 2/37 = 5.41% loss of charitable income tax deduction
- 7% charitable lead annuity trust for 20 years remainder to family in trust funded with \$1 million
 - Prior to 2026 CLAT receives \$70,000 charitable income tax deduction
 - 2026 CLAT receives \$66,216 (\$70,000 - \$3,784) charitable income tax deduction

Charitable Solutions to the Rescue of Retirement Assets

There's No Need to Fear



Why Consider Charitable Giving with Retirement Assets

- It's where the wealth is:
 - ~\$48.1 trillion held by Americans in Retirement Plans as of 09/30/2025*
- It's a costly asset to leave to loved ones
 - Distributions from retirement plans are heavily taxed to the owner and all other non-charity beneficiaries.
 - Getting retirement assets to children and grandchildren can be prohibitively costly. 70% to 80%+ loss in value if estate and generation skipping taxes apply in addition to Federal income taxes.
 - State income & state estate taxes may take another bite.

* https://www.ici.org/statistical-report/ret_25_q3 (Investment Company Institute)

Charitable Planning Opportunities

Beneficiary Designation

- Name a Charity as the Primary Beneficiary or Contingent Beneficiary of all or a part of a retirement plan.*
- It's easy
- It doesn't impact lifestyle
- It can be changed at any time (not irrevocable)

*If 401(k) or other non-IRA retirement plan may need a spousal waiver if owner is married.

Remember: Seismic Disturbance in the Force

The Rise of Skywalker Theatrical Release date: 12/20/2019

- SECURE 1.0 Requires most non-spouse beneficiaries to withdraw inherited account balances within 10 years of the account owner's death!
- Total account must be distributed no later than December 31 of the year that contains the tenth anniversary of the owner's death.
- Or so we all thought....
- Example: Retirement Account owner dies on January 30, 2025, and has named his 22-year-old son as his designated beneficiary. The entire balance must be paid to the son prior to the end of the day on December 31, 2035.
- The Congressional Budget Office estimated ***\$15.7 Billion*** increase in revenues over the 10-year period from 2020 to 2030.

Exceptions to the 10-year Rule

- Exception: for an Eligible Designated Beneficiary (“EDB”) An EDB is:
 - A minor child *of the account owner*
 - Age of majority in most states is 18
 - when minor child reaches the “age of majority” the 10-year doomsday clock starts ticking;
 - A disabled individual;
 - A chronically ill individual; or
 - An individual who is not more than 10 years younger than the account owner

Example of Impact of 10-year Rule

Inherited IRA beneficiary age 38

- Prior to January 1, 2020
 - RMDs taken out each year based upon life expectancy tables in year inherits IRA
 - December 1, 2019, participant dies, 38-year-old inherits
 - Payments over approximately 45.6 years
 - Pays income tax on each payment
- January 1, 2020, participant dies, 38-year-old inherits
 - 10 years to withdraw entire balance
 - Pays income tax on all withdrawals

Final Regulations* Impact on Prior Example

- If retirement plan owner dies after RBD then:
 - 38-year-old immediately begins taking RMDs each year based upon life expectancy tables (longer of owner or beneficiary) in year inherits IRA
 - Final distribution must be made within 10 years of owner's death
- If Retirement plan owner dies prior to his or her RBD
- 38-year-old inherits:
 - 10 years to withdraw entire balance (by 12/31 year 10)
 - Pays income tax on all withdrawals

* Notice of final regulations under IRC Section 401(a)(9) published in the Federal Register on September 17, 2024

Prevailing Winds of Opportunity

What to Know about RMDs and Retirement Planning, Glenn Ruffenach, WSJ, November 27, 2022

The Declining Appeal of Inherited Retirement Accounts, Richard Kaplan, Virginia Tax Review, Vol.42.2.267 (2023)

The Retirement Tax Break that will Pay you an Annual Income, WSJ, June 14, 2023

Qualified Charitable Distributions

the new Superstar

- QCDs, the basics
 - From an IRA (Not a 401(k), etc., unless first rolled over to IRA)
 - After age 70 ½
 - Made directly to a public charity (Not a DAF, nor Private Foundation)
 - No charitable income tax deduction
 - Reduces RMD dollar for dollar* (once age 73/RMDs commence)
 - ***ALERT:*** Must distribute QCD prior to taking RMD for this reduction to apply
 - Huge benefit for those claiming the standard deduction

* Wait, What? Reducing RMD reduces AGI... OBBBA makes this even more valuable

SECURE 2.0

QCD enhancements

- Increase in the Required Beginning Date to Age:
 - 73 in 2023
 - 75 in 2033
- Index for inflation the \$100,000 annual maximum QCD amount beginning in 2024
 - \$111,000 in 2026 (\$108,000 in 2025)
- Allows a one-time QCD of up to \$50,000 (indexed to CPI) to establish a:
 - Charitable Gift Annuity
 - Charitable Remainder Trust (“CRT”)
 - Permissible beneficiaries are limited to the IRA owner, the IRA owner’s spouse, or for their joint lives

QCD to CGA or CRT Finally...

Beginning in 2023, it became permissible to use a QCD to fund a charitable gift annuity or a charitable remainder trust. The rules:

- IRA owner can exercise this option only “once” (defined as in one calendar year) during lifetime.
- “One Time Election: Aggregate limit of \$50,000, in 2023.
 - \$55,000 in 2026
 - \$54,000 in 2025
- The entire annual payment from the QCD funded charitable gift annuity is subject to income tax.
- Annuity rate must be 5% or greater
- There is no income tax deduction for this contribution, although there is no tax on the QCD either.

CRT Established with QCD

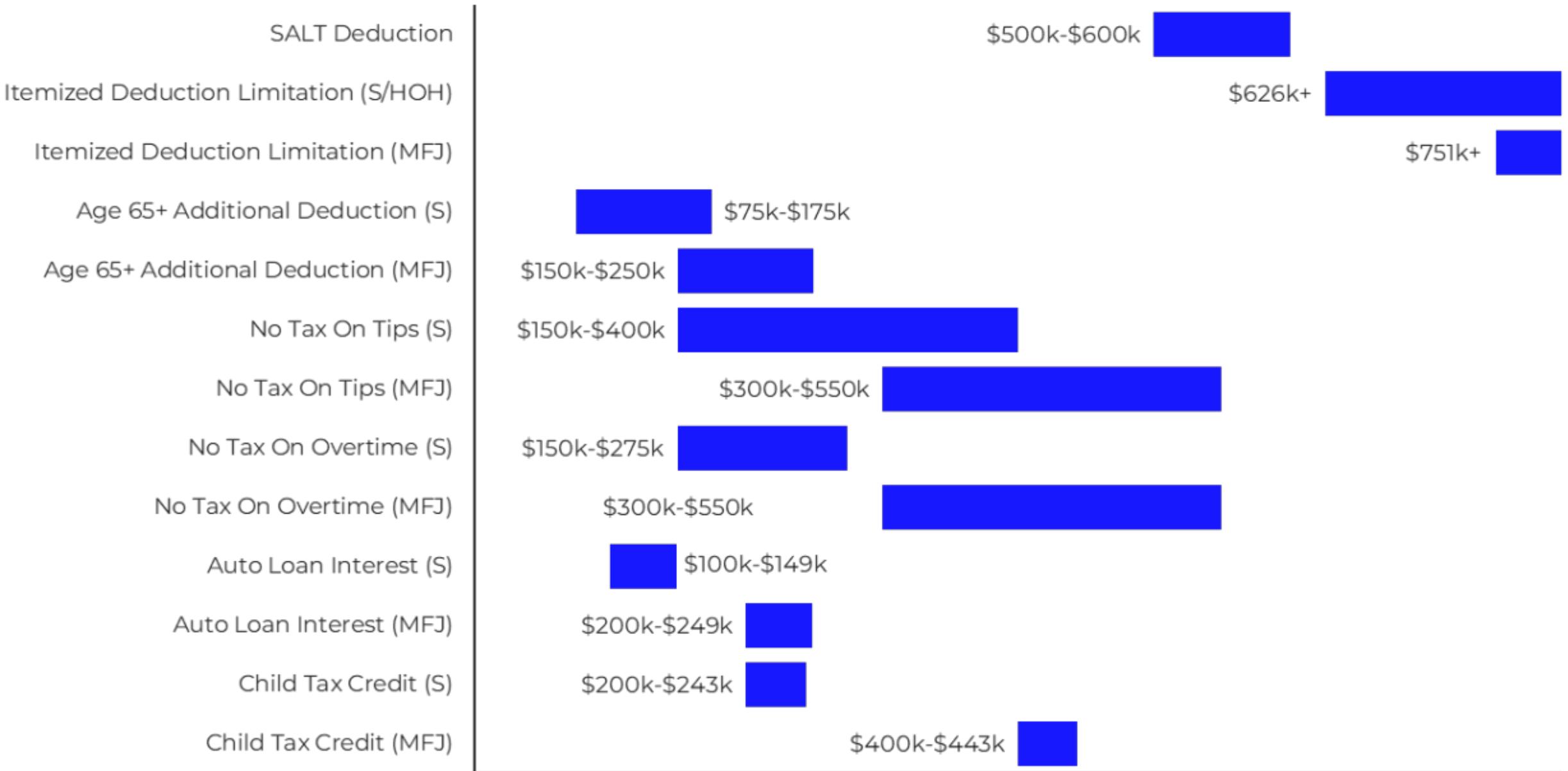
- The Charitable Remainder Trust can only be funded “once” with a QCD from an IRA
- No other assets can be contributed to this CRT, ever
- No charitable income tax deduction
- All distributions will be characterized as ordinary income
- Many suggest it’s not practical to establish QCD-CRT

Tax Benefits of a Lower Adjusted Gross Income

This is a Big Deal

- Many tax benefits are phased out as AGI increases
- Lower AGI can bring added tax benefits
- Following OBBBA benefit phaseout slide is courtesy of the author, ©Ben Henry-Moreland, CFP®

Phaseout Ranges For Tax Provisions Under OBBBA



Qualified Charitable Distributions

2025-2026 Breaking News

- To eliminate (minimize) previous QCD reporting confusion for the IRS auditors and tax advisors:
- New for 2025, when reporting all QCDs there is now a dedicated Code Y to include on Form 1099-Rs issued by IRA Custodians.
 - Optional for 2025
 - Required for 2026 and going forward
 - Combined code Y7 will be used for normal IRA distribution QCDs
 - Combined code Y4 will be used for inherited IRA-related QCDs

Donors Making IRA Contributions after age 70 ½ - Warning

- The SECURE Act permits post 70 ½ individuals to make deductible IRA contributions
- The SECURE Act requires any post 70 ½ deductible contributions to reduce the QCD exclusion amount

Example:

- Mary, age 72, has taxable income of \$50,000 and makes a tax-deductible contribution to her traditional IRA of \$7,000 in 2025.
- Mary also makes a QCD to the University of Florida of \$100,000 in 2025.
- Only \$93,000 of Mary's QCD is excluded from her income in 2025.

Testamentary Charitable Remainder Unitrust

A Great Response to the 10-Year Rule

- For Individuals seeking any of the following:
 - To continue stretch-out of payment benefits for non-spouse beneficiaries' lifetimes from retirement benefits otherwise shortened by the SECURE Act with remainder passing to their favorite Charity(ies)
 - To provide an income stream for a surviving spouse with the remainder passing to their favorite charity(ies)
 - To combine income stream for surviving spouse and stretch-out payments to children with remainder passing to their favorite charity(ies)
 - A Charitable Estate Tax Deduction (for those who need it)

TCRUT Payments

- Annual Payments to beneficiaries can be made for the beneficiaries' lifetime ("replicating" former Retirement Plan lifetime Stretch-Out option for non-spouse beneficiaries)
- Unitrust payment amounts are determined annually:
 - based upon the stated payout percentage, and
 - the Fair Market Value of the trust assets determined on the first business day of the TCRUT tax year

Retirement Planning Take-Aways

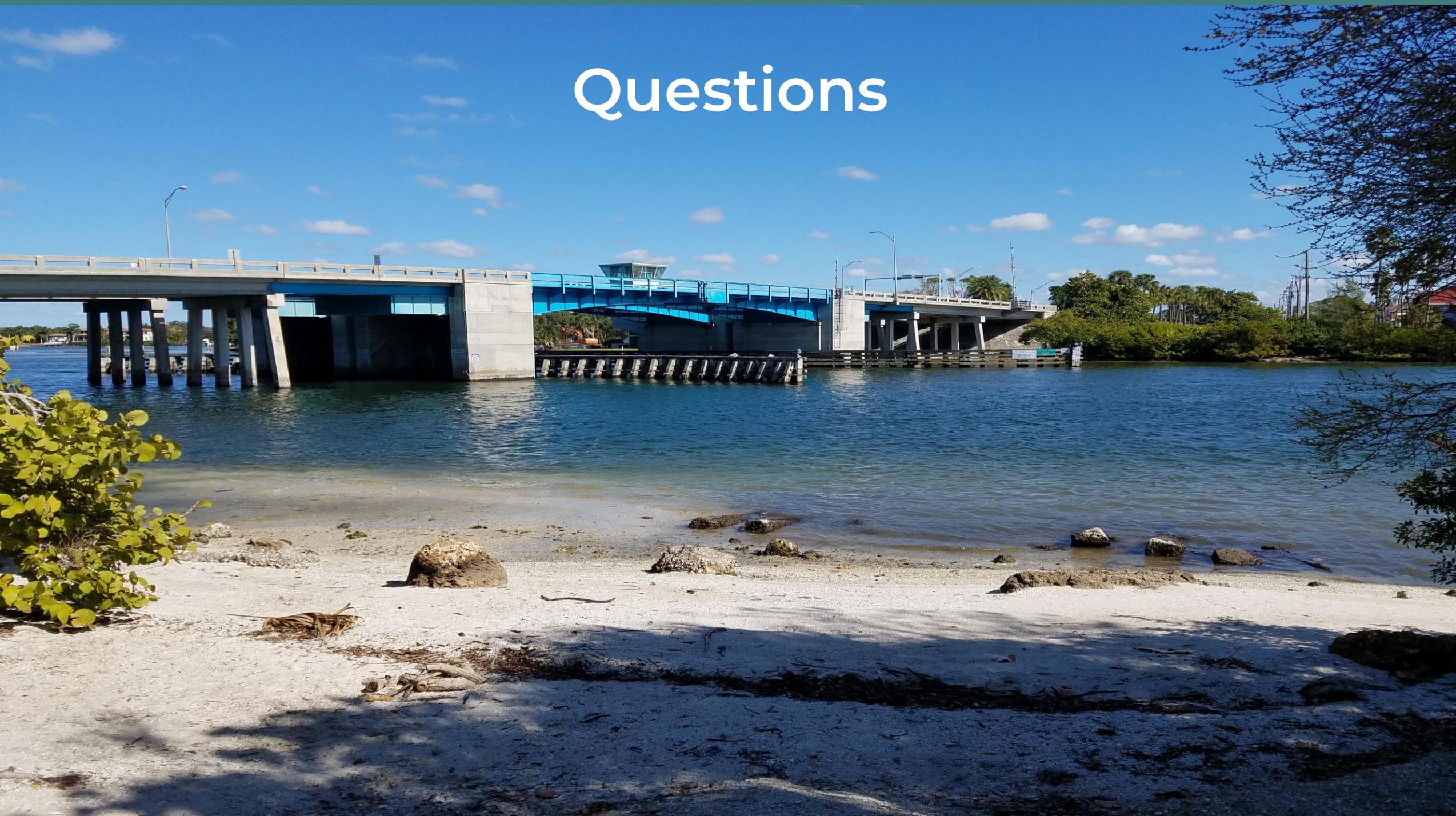
- An IRA can be utilized as a major Charitable Gift Planning Tool
- The supercharged Qualified Charitable Distribution Opportunity
- Retirement Beneficiary Designations can be a fabulous Planned Giving Vehicle by:
 - Designating a favorite charity as the Beneficiary of the donor's IRA or other retirement plan; or
 - Designating a Testamentary Charitable Remainder Trust with remainder to favorite charity as the Beneficiary of the participant's IRA or other retirement plan

Beginning in 2027...

Scholarship Granting Organizations

- The OBBBA also added a *new tax credit* of up to \$1,700 for charitable contributions to scholarship-granting organizations for elementary and secondary education scholarships. The credit is non-refundable, so it may reduce tax liability, but not below zero. It applies to contributions received beginning in 2027.
- To be considered an eligible SGO, organizations must be registered as a nonprofit, provide scholarships to at least 10 students who do not all attend the same school and spend at least 90% of their revenue on scholarships, among other requirements.
- SGOs are responsible for determining student eligibility. Students must be eligible to enroll in a public elementary or secondary school and have a household income that is no more than 300% of the area median income. The Urban Institute estimates that about 90% of households nationally would meet the income requirement.
- SGOs must also prioritize awarding scholarships to students who received one during the previous year, as well as students who have siblings that received scholarships. The law prohibits SGOs from providing scholarships to their contributors and from earmarking scholarship funding for specific students.

Questions



Thank
you!

