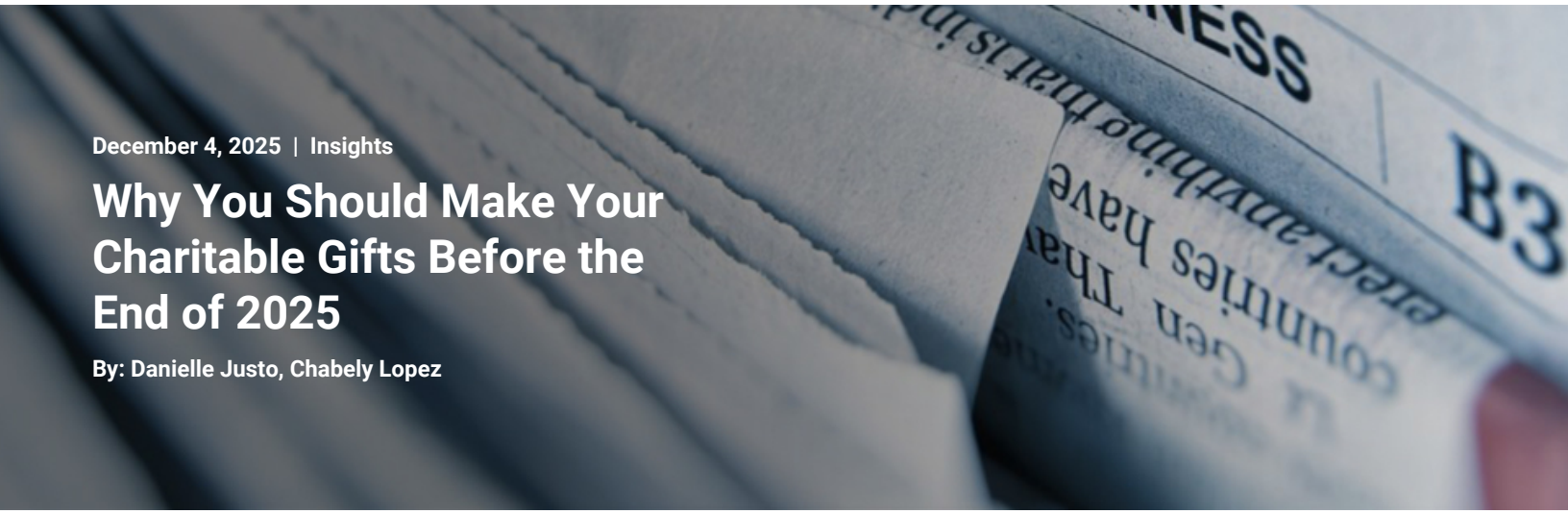

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Why You Should Make Your Charitable Gifts Before the End of 2025

By: Danielle Justo, Chabely Lopez

The One Big Beautiful Bill contains certain disincentives to charitable gifts. There are two primary considerations that may encourage you to make your gifts before year-end:

1. There is a floor of 0.5% AGI starting in 2026. This means that individuals will only be able to claim a tax deduction to the extent that their contributions exceed 0.5% of their adjusted gross income. Corporations on the other hand will only be entitled to deduct charitable contributions that exceed 1% of their taxable income.

- There is a 35% cap limiting the benefit of itemized deductions starting in 2026, meaning itemized deductions must be reduced by 2/37 (about 5.4%) of the amount by which income exceeds the amount at which the 37% tax bracket begins.

If you don't know which charities you wish to donate to, you can "bunch" donations by setting up a charitable foundation and funding it in 2025. If you form a board of directors, then your board can decide what charities to fund in the future, but you can take the tax benefits now. A board of directors position is also a great way to set up some income for your adult children while keeping them involved in the process. A bunching strategy of making larger gifts less frequently will be particularly useful given the 0.5% AGI floor.

Assembling your attorney, tax advisor and wealth manager fortifies you so that you have the right team behind you to make the best financial decisions for your family's future. Reach out to Danielle Justo, djusto@richmaylaw.com or Chabely Lopez, clopez@richmaylaw.com.

Disclaimer: This summary is provided for educational and informational purposes only and is not legal advice. Any specific questions about these topics should be directed to attorney(s) Danielle Justo and/or Chabely Lopez.

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