

Year-End Tax Planning: What Nonprofits Need to Know Before 2026

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As 2025 draws to a close, nonprofit organizations face a unique moment to maximize year-end giving and prepare for tax changes under the One Big Beautiful Bill (effective January 1, 2026). These upcoming tax changes are expected to reshape donor behavior and compliance requirements, making proactive planning more essential than ever.

Key Highlights for Nonprofits:

- **Universal Charitable Deduction:** Starting in 2026, taxpayers who take the standard deduction can claim up to \$1,000 (individual) or \$2,000 (joint) for charitable gifts. This opens the door to millions of potential small-dollar donors who previously had no tax incentive to give.
- **New Floor for Itemizers:** Itemizing donors must now exceed 0.5% of AGI before charitable deductions apply. In addition, the cap on the value of itemized deductions is 35% (down from 37% for those in the top bracket). This higher threshold could adjust giving future patterns and discourage smaller itemized gifts, especially from more mid-level donors.
- **Corporate Giving Threshold:** Businesses must contribute at least 1% of taxable income for charitable gifts to qualify for deductions. Expect fewer small corporate checks but greater opportunity for multi-year strategic partnerships.
- **High-Net-Worth Donor Shifts:** Reduced tax benefits for top earners are prompting high-net-worth donors to reconsider their giving strategies, with many moving toward donor-advised funds or committing to multi-year pledges instead of one-time gifts.

Action Steps Before December 31:

- ☑ Update donor communications to emphasize how some donors may gain tax advantages by accelerating contributable giving into 2025, while others may benefit more by pushing contributions into 2026 under the new law.
- ☑ Encourage donors to consolidate multiple years' worth of giving into a single, larger donation in 2025 to exceed the new AGI floor that begins in 2026.
- ☑ Begin conversations with corporate partners about multi-year commitments and strategic sponsorships that align with your organization's mission.
- ☑ Explore innovative giving channels that offer tax advantages and can unlock significant giving potential like Donor-Advised Fund (DAF) grants, low-basis or appreciated stock donations, and Qualified Charitable Distributions (QCDs) from IRAs for donors aged 70½ +.
- ☑ Review and update gift acceptance policies so your organization can confidently accept a wide range of contributions without missing out on valuable giving opportunities.

Example Messaging Points

- "Maximize your impact and your tax deduction: Make your 2025 gift before December 31st to take advantage of the current 37% deduction rate before it changes in 2026".
- "Considering a major gift? The One Big Beautiful Bill Act makes giving in 2025 an exceptional opportunity to maximize your tax benefits. Lock in today's rules before the new limits take effect next year".

- “Avoid the new 0.5% AGI deduction floor in 2026 by making a significant, multi-year contribution this December. You can even use a donor-advised fund to fund now and grant later”.

Nonprofits raise up to one-third of annual revenue in Q4, now is the time to strengthen relationships, diversify your donor base, and position your organization for resilience in these uncertain times.

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