



Tax-Wise Charitable Planning

The **Community Foundation of the Central Blue Ridge** offers a variety of giving options that allow donors and their professional advisors to achieve philanthropic goals while maximizing tax advantages. Because the Foundation is a qualified public charity, gifts receive the most favorable tax treatment available under federal law than those allowed for gifts to private foundations (see our Comparison of Donor-Advised Funds and Private Foundations).

Donations of Cash

- Donors receive an immediate charitable tax deduction of up to 60% of adjusted gross income (AGI) for the tax year in which the contribution is made. (See the notes below regarding new tax limitations and advantages introduced in H.R. 1.)

Donations of Appreciated Assets

Gifts of publicly traded securities, real estate, or closely held stock can provide powerful tax benefits while supporting charitable causes.

- **Avoid capital gains:** Donating appreciated assets directly to the Community Foundation eliminates capital gains tax on the appreciation.
- **Fair market value deduction:** Donors may deduct the full fair market value of the gifted asset (if held more than one year) up to **30% of AGI**, creating an immediate tax benefit and greater charitable impact.

Qualified Charitable Distributions (QCDs)

For donors aged **70½ or older**, a **Qualified Charitable Distribution** allows for a direct, tax-free transfer of up to **\$108,000 annually (in 2025)** from a traditional IRA to a qualified charity such as the Community Foundation.

- **Tax-free giving:** The amount transferred counts toward required minimum distributions (RMDs) but is excluded from taxable income.
- **Simple execution:** The IRA custodian transfers funds directly to the Community Foundation.
- **Enduring impact:** Donors can direct their QCD to an existing fund at the foundation or create a new fund to support the causes they care about most.
(Note: QCDs cannot be made to donor-advised funds but can support most other fund types. QCDs cannot be included in itemized charitable tax deductions.)

Gifts of Life Insurance

Donors may make an **irrevocable assignment** of a paid-up life insurance policy to the Community Foundation or name the Foundation as a **beneficiary or owner** of a policy.

- **Immediate deduction:** Donors receive an income tax deduction for the policy's fair market value or the total premiums paid to date.
- **Leverage for legacy:** A relatively small annual premium can translate into a significant future charitable gift.

Reconciliation Bill H.R. 1

Signed into law on July 4, 2025, H.R. 1 includes new charitable tax deduction limitations and a new advantage of which all donors should be mindful.

- **New Charitable Deduction Floor:** Starting in 2026, taxpayers who itemize may only deduct charitable contributions to the extent the total of their charitable deductions exceeds 0.5% of their adjusted gross income (AGI). This replaces the prior "no floor" structure and creates a modest threshold before deductions apply. For example: If a donor's AGI is \$500,000, the first \$2,500 of charitable contributions ($\$500,000 \times 0.5\%$) cannot be deducted.
- **New Cap on the Value of Itemized Deductions:** In addition to the new charitable deduction floor, H.R. 1 includes a provision further limiting the tax benefit of itemized deductions for high-income individuals. For taxpayers in the top 37% bracket, the value of itemized deductions—including charitable contributions—is capped at 35 cents per dollar, reducing the effective benefit by approximately 4.6%.

H.R. 1 contained some positive news for individual donors as well.

- **60% AGI Limit for Cash Contributions:** H.R. 1 makes permanent the 60% AGI limit for cash contributions to public charities, a provision originally enacted by the TCJA and set to expire after 2025. The TCJA raised the AGI limitation from 50% to 60% of AGI, meaning a taxpayer could deduct cash contributions to public charities totaling up to 60% of their AGI in a single year.
- **New above-the-line deduction for non-itemizers:** Taxpayers can deduct up to \$1,000 (single) or \$2,000 (married filing jointly) in charitable contributions without itemizing. This is a permanent provision and serves as a replacement for the

temporary above-the-line deduction of \$300 (single) and \$600 (married) introduced under the CARES Act.

- **Estate and Gift Tax Exemptions:** The estate and gift tax exclusion is raised to \$15 million per individual filer (\$30 million for married joint filers) beginning in 2026, which will be indexed for inflation. There is no sunset in the law. The 2025 amount is \$13,990,000 and would have reverted to 50% of that amount in 2026 under prior law.

What do these changes suggest?

- Advisors and their clients may consider the timing and total amount of charitable donations. Although not a new strategy, “**bunching**” donations intended for several years into a single tax could offer some advantages. First, this technique may result in an individual’s total tax deductions surpassing the threshold that allows them to itemize their deductions. Second, that same individual could plan for up to \$1,000 (single) or \$2,000 (married filing jointly) in charitable contributions in subsequent tax years to make use of the above-the-line deduction for non-itemizers.
- Many individuals in the practice of bunching their donations are directing their gifts to **donor-advised funds (DAFs)** at the Community Foundation. Since they advise the Foundation on the timing, amount and charitable beneficiaries of all grants from their DAFs, this type of fund functions as a charitable “spigot” of sorts, allowing the donor to donate several years’ worth of philanthropy to their DAF and then distribute those funds on their own timetable.

Bottom Line: Whether an individual’s objective is to create a long-term legacy, simplify giving, or minimize taxes, the Community Foundation offers flexible, professionally-managed options that make charitable planning both strategic and rewarding.