

The Philanthropy Outlook:

Estimating Effects on Charitable Giving
from the One Big Beautiful Bill



Acknowledgments

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Executive Summary

2025 H.R. 1, commonly known as the “One Big Beautiful Bill Act” (OBBA) was signed into law as Public Law 119-21 by President Donald Trump on July 4, 2025.¹ The OBBA is a large, comprehensive bill incorporating multiple policy priorities from the Trump presidential campaign agenda (e.g., tax cuts, immigration enforcement, etc.).

In the months since its passage, experts and commentators have focused primarily on the effects of the OBBA on the economy broadly (e.g., inflation and employment) and other areas of public policy. In contrast, relatively little attention has centered on how the OBBA might affect private philanthropy in the United States (U.S.), either in the short or long term.² This study provides an initial effort to address this gap in research.

In addition, this analysis identifies which aspects of the relationship between the OBBA and charitable giving can be assessed using currently available data and which cannot. Where data are not available, the report outlines potential theories and data that might support future analysis of these issues.

TABLE 1. SUMMARY OF OBBA POLICIES AFFECTING CHARITABLE GIVING

Policy	What the Policy Does	Who It Affects	Expected Behavioral Effect	Why It Affects Giving	Estimated Impact
Universal charitable deduction	Allows non-itemizers to deduct up to \$1,000 (single) / \$2,000 (married)	Non-itemizing households (~90% of taxpayers)	Increase number of donors and small-to-moderate gifts	Reduces after-tax cost of giving for non-itemizers up to the cap	+\$4.39B (range: +\$1.96B to +\$4.39B); +6.0-8.7M donors
0.5% floor on itemized deductions	Only charitable giving above 0.5% of income is deductible	Itemizing households	Reduces giving among lower- and moderate-level itemizers	Increases marginal cost of giving below threshold	-\$2.43B (range: -\$1.83B to -\$3.02B)
35% cap on value of deductions for top-bracket filers	Limits deduction value for taxpayers in 37% bracket	High-income itemizing households	Reduces giving among top donors	Increases after-tax cost of giving at the margin	-\$6.1B (range: -\$4.1B to -\$8.2B)
1% floor on corporate charitable deductions	Corporations may only deduct giving above 1% of pre-tax profits	Corporations	Reduces giving among firms below threshold; may shift timing of gifts	Removes tax incentive for giving below 1% of profits	-\$1.55B (range: -\$0.93B to -\$2.49B)
Total Estimated Impact					-\$5.69 billion

The results presented here address both household (i.e., individual and family) giving as well as corporate giving. The OBBB includes several policies affecting household giving; this report estimates the effects of each individually and as a whole. One major policy affecting corporate giving is the creation of a floor (minimum) of 1% of pre-tax corporate profits before corporate charitable contributions can be deducted. The analysis below estimates the likely effects of that 1% floor on corporate charitable giving.

According to *Giving USA 2025*,³ charitable giving by individuals accounts for around 66% of total philanthropy in the U.S., with corporate giving representing an additional 7%. The policies analyzed in this report, therefore, affect nearly three-quarters (73%) of charitable dollars in the U.S. Data limitations prevent direct estimation of the effects of the OBBB on foundation grantmaking or charitable bequests (the remaining 27% of total giving). However, based on prior research, these effects are expected to be relatively modest; they are discussed in more detail later in the report.

Overall, the OBBB is estimated to reduce total annual charitable giving by around \$5.69 billion, while increasing the number of donor households by more than 8 million. Of this total, approximately \$4.14 billion reflects changes in household giving and approximately \$1.55 billion reflects changes in corporate giving. Table 1 summarizes the major OBBB policies affecting charitable giving, including who they affect, how they change incentives, and the estimated direction of their impact.



Key Findings



1. Taken together, the OBBB is estimated to reduce total annual charitable giving by approximately \$5.69 billion.



2. The OBBB includes three policies that affect household charitable giving in different ways:

A

CAPPED UNIVERSAL CHARITABLE DEDUCTION FOR NON-ITEMIZERS

Estimated to **increase** total charitable giving by approximately \$4.39 billion annually, with a plausible range of \$1.96 billion to \$4.39 billion, and to increase the number of donor by between 6.0 and 8.7 million households.

B

0.5% FLOOR ON ITEMIZED DEDUCTIONS

Estimated to **decrease** total household charitable giving by approximately \$2.43 billion annually, with a plausible range of \$1.83 billion to \$3.02 billion.

C

35% CAP ON ITEMIZED DEDUCTIONS FOR TOP MARGINAL TAX FILERS

Estimated to **decrease** total household charitable giving by approximately \$6.1 billion annually, with a plausible range of \$4.1 billion to \$8.2 billion.



3. The 1% floor on corporate charitable deductions is estimated to decrease total corporate giving by approximately \$1.55 billion annually, with a plausible range of \$0.93 billion to \$2.49 billion.



Introduction

2025 H.R. 1, commonly known as the “One Big Beautiful Bill Act” (OBBB), introduced a series of changes to U.S. tax policy that alter the incentives for charitable giving by both households and corporations. Although tax policy has long been understood to shape philanthropic behavior, especially at the higher end of the wealth spectrum, the magnitude and direction of these effects depend on how individual policies interact with one another and with existing giving patterns. To date, most public discussion of the OBBB has focused on its broader economic and fiscal implications, with relatively little attention to how it may affect private philanthropy.

This report provides an initial analysis of the policies within the OBBB most likely to influence charitable giving in the U.S. Drawing on established research on tax incentives and giving behavior, as well as available survey and administrative data, the analysis estimates the expected direction and size of changes in giving under the OBBB’s new policy framework. The report also identifies areas where current data are limited and outlines priorities for future research as additional data become available.



Background

Changes to tax policy have long been shown to influence charitable giving by altering the after-tax “price” of donating and the incentives faced by donors. A substantial body of research has examined how itemization, marginal tax rates, and deduction limits affect both the level and timing of charitable contributions among households and corporations. Recent policy changes under the Tax Cuts and Jobs Act (TCJA) renewed attention to these dynamics by increasing the standard deduction and reducing the number of itemizing households, with documented effects on giving behavior.⁴

More recently, analysts and sector organizations have begun to examine how the OBBB may affect charitable giving. For example, prior estimates have examined selected policies (particularly changes affecting corporate giving and the 35% cap on household deductions), but a comprehensive analysis of the combined effects of OBBB on both household and corporate giving has not yet been undertaken.⁵ This report builds on prior research by bringing together existing evidence on tax incentives and giving behavior to estimate the potential effects of the OBBB across multiple components of the charitable giving landscape.

Methods

This analysis draws on multiple data sources commonly used in research on charitable giving, including the Philanthropy Panel Study (PPS), the Survey of Consumer Finances (SCF), Internal Revenue Service (IRS) Statistics of Income tabulations, and corporate giving data from Chief Executives for Corporate Purpose (CECP). These data provide information on giving behavior, income, and tax filing status for both households and corporations.

Estimates of the effects of specific OBBB policies are based on established empirical approaches used in prior research on tax incentives and charitable giving. These include regression-based estimates of giving responses to changes in the marginal tax price of giving, assumptions about tax-price elasticity, and scenario-based modeling of how different groups of taxpayers respond to changes in deduction rules, caps, and floors. Because data availability varies across policies, the analysis uses a range of assumptions to generate low, central, and high estimates of policy effects. Additional details on data sources, modeling assumptions, and estimation procedures are provided within each policy section and in the Methodological Appendix at the end of this report.



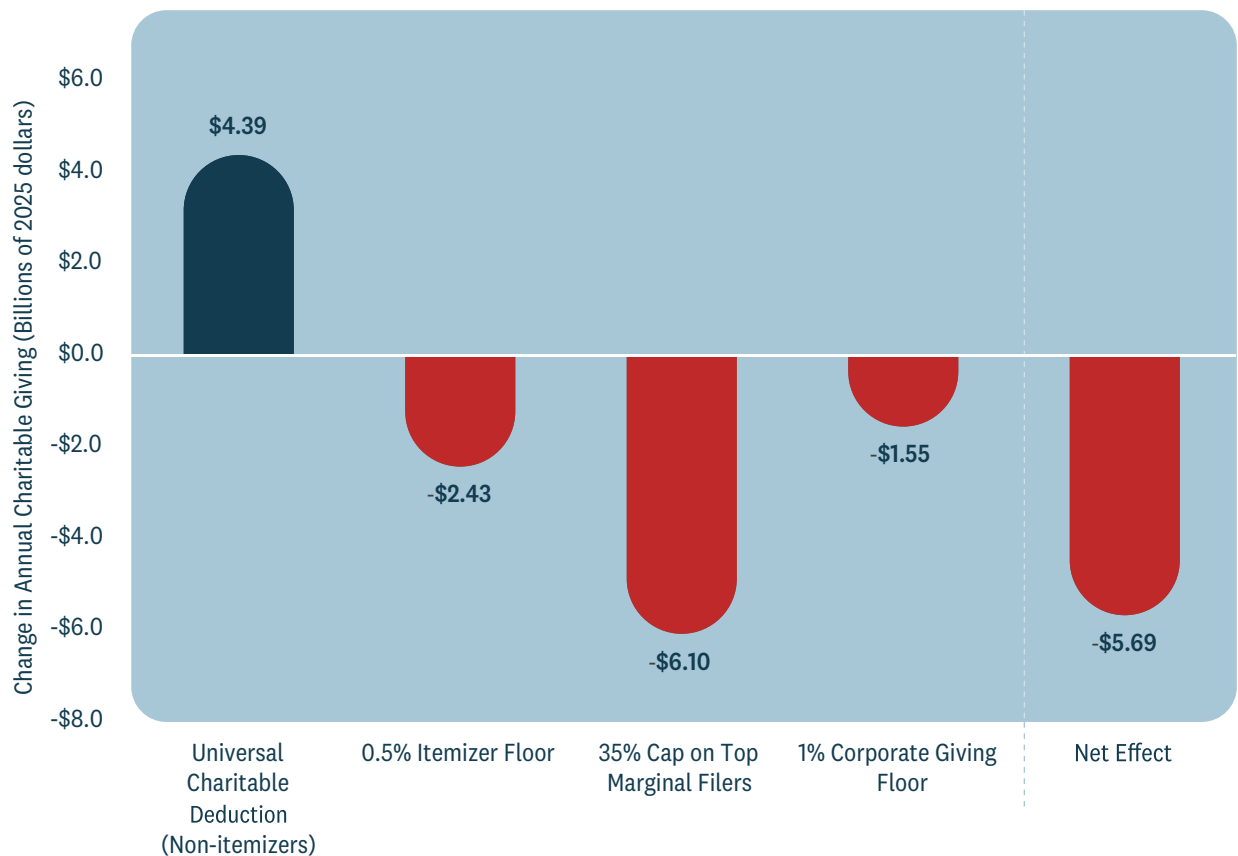
Results

The results in Figure 1 and throughout this report address both household (i.e., individual or family) and corporate charitable giving. The OBBB includes three policies that affect household charitable giving; results are presented for each one individually and for their combined effect. The single policy affecting corporate giving is discussed separately. The impact of the major OBBB policies discussed below is shown in Figure 1. Subsequently, Table 2 provides low, central, and high estimates of the effects of OBBB on charitable giving. Finally, Table 3 summarizes which groups are affected by the various policies.

FINDING 1:

Taken together, the OBBB is estimated to reduce total annual charitable giving by approximately \$5.69B.

FIGURE 1: ESTIMATED NET EFFECT OF OBBB POLICIES ON TOTAL ANNUAL CHARITABLE GIVING (IN BILLIONS)



Results

TABLE 2. ESTIMATED EFFECTS OF THE OBBB ON CHARITABLE GIVING IN THE U.S.
(Low, Central, and High Estimated Effects for Each Policy)

Policy	Low Estimate	Central Estimate	High Estimate	Other Effects
Household Giving				
Non-itemizer DEDUCTION with \$1k/\$2k cap	\$ 1.96	\$ 4.39	\$ 4.39	6.0-8.7 million new donors
0.5% floor on filers	\$ (3.01)	\$ (2.43)	\$ (1.83)	
35% on 37% filers	\$ (8.20)	\$ (6.10)	\$ (4.10)	
Corporate Giving				
Corporate floor of 1.0%	\$ (2.49)	\$ (1.55)	\$ (0.93)	
Total	\$ (11.74)	\$ (5.69)	\$ (2.47)	

Notes: All dollar values are in billions of 2025 dollars. Values for household giving policy adjusted by +9.1% for inflation from 2022 to 2025 dollars. Values for corporate giving policy adjusted by +2.7% for inflation from 2024 to 2025 dollars.

TABLE 3. TAXPAYER GROUPS PRIMARILY AFFECTED BY OBBB POLICIES RELATED TO CHARITABLE GIVING

Taxpayer Group	OBBB Policy Affecting Charitable Giving
Non-itemizing households (standard deduction filers)	Universal charitable deduction (up to \$1,000 single / \$2,000 married)
Itemizing households	0.5% floor on charitable deductions
High-income itemizing households (top marginal tax bracket)	35% cap on the value of itemized deductions
Corporations	1% floor on charitable deductions based on pre-tax profits

A. Estimated Effects of the OBBB on Household Giving

As noted previously, several aspects of the OBBB may affect household charitable giving. Because the three relevant policies identified may affect different types of households in different ways, the results below present each policy separately.



OBBB POLICY 1:

Universal Charitable Deduction (\$1,000 for single filers / \$2,000 for married filers)

FINDING 2A:

The capped universal charitable deduction for non-itemizers is estimated to increase total charitable giving by approximately \$4.39 billion annually, with a plausible range of \$1.96 billion to \$4.39 billion, and to increase the number of donors by between 6.0 and 8.7 million households.

Before the OBBB was enacted, there was no permanent universal charitable deduction for non-itemizers. A similar measure was temporarily implemented in 2020 and 2021 as part of the COVID relief package, but the OBBB policy represents the first permanent, universal charitable deduction since the inception of the standard deduction.

Under the OBBB, taxpayers may deduct up to \$1,000 (single filers) or \$2,000 (married filers) in charitable contributions, even if they take the standard deduction. Because approximately 90% of households take the standard deduction and do not itemize, the vast majority of households previously had no tax incentive for charitable giving. This policy extends a tax incentive to those households—at least for their first \$1,000 (singles) or \$2,000 (marrieds) of gifts.

TAXPAYER DEDUCTIONS
UNDER OBBB



Single Filers
\$1,000



Married Filers
\$2,000

This OBBB policy has two primary effects: (1) increased giving among existing non-itemizing donors and (2) new giving from households that previously did not donate. Estimating the effects of this policy requires distinguishing between non-itemizing households whose giving falls below the deduction cap, and those whose giving exceeds it. Only the former group experiences a change in the marginal tax price of giving.

In other words, donors receive an incentive to give up to the \$1,000 or \$2,000 ceiling, but there is no marginal tax benefit to giving above that level. Previous research shows that changes to this marginal tax price tend to impact giving the most significantly.⁶ Based on data from the Philanthropy Panel Study (PPS) and the Survey of Consumer Finances (SCF), approximately 85% of non-itemizing households give below the cap.⁷

Although only about 15% of non-itemizing households give above the deduction cap, these households account for the majority of non-itemized charitable giving because they give substantially larger amounts on average. This limits the impact of this policy in regards to increasing giving among non-itemizers. The analysis therefore focuses on the other 85% of households, as only their giving would be expected to respond to the new incentive.

For this affected population, estimated mean giving increases by approximately \$45 per household. Given an estimated 116 million non-itemizing households, of which 85% experience an incentive from this policy, this corresponds to an increase of approximately \$4.39 billion in annual charitable giving.

This total reflects both increased giving by existing donors and giving from newly induced donors. Specifically, approximately \$3.05 billion reflects increased giving by non-itemizing donors (about 0.8% of total household giving) and approximately \$1.34 billion reflects giving from new donors.

In addition to increasing giving levels, the universal charitable deduction is estimated to increase the number of donor households between 6.0 and 8.7 million. Estimates are based on a probit model of giving incidence; these models estimate approximately an 8.8 percentage point increase among affected households, which corresponds to about a 6.6 percentage point increase when extrapolated to all households, or approximately 8.7 million new donors. This is consistent with, though somewhat higher than, prior estimates of approximately 7 million new donors associated with a universal charitable deduction.⁸

Two additional considerations are important. First, while \$4.39 billion represents the estimated increase in new giving, a much larger amount of giving will be newly reported for tax purposes. Based on PPS and SCF data, newly reported giving could total approximately \$62.48 billion (2025 dollars), reflecting the fact that many households were already giving but did not previously receive a tax deduction.

ESTIMATED INCREASE IN NEW GIVING

↑ \$4.39B

Second, the estimates above reflect long-run annual effects. In reality, donor behavior may take time to adjust following a policy change. Evidence following the Tax Cuts and Jobs Act (TCJA) suggests that some households only gradually realize any changes to their taxes and consequently adjust their behavior and giving patterns. As a result, the full effects of the universal charitable deduction may phase in over several years. (See Methodological Appendix for more details.)



OBBB POLICY 2:
0.5% Itemizer Floor

FINDING 2B:

The 0.5% floor on itemized deductions is estimated to decrease total household charitable giving by approximately \$2.43 billion annually, with a plausible range of \$1.83 billion to \$3.02 billion.

The second OBBB policy affecting household charitable giving applies to households that itemize their tax returns. Beginning in 2026, itemizing households may only deduct charitable contributions that exceed 0.5% of their income. Donations of amounts below that 0.5% threshold remain valid charitable gifts but will no longer be tax deductible.

HOUSEHOLD CHARITABLE DONATIONS

>0.5% of Income
= Tax Deductible

<0.5% of Income
≠ Tax Deductible

To estimate the effect of this change, the analysis relies on the most recent Survey of Consumer Finances (SCF),⁹ which provides more reliable data on the higher-income households most likely to itemize. Using SCF data on itemizers, an estimated 1.68% of total itemized charitable giving comes from households giving 0.5% or less of their income. These donations would no longer be deductible under the new floor.

Estimating the impact of this policy requires combining the share of giving affected with the associated change in tax price and an assumed tax-price elasticity of giving (see Methodological Appendix for details). Under conservative assumptions, the policy is estimated to reduce charitable giving by approximately \$1.83 billion annually. Under higher-response assumptions, the estimated reduction is approximately \$3.01 billion. The central estimate used in this report is the midpoint of this range, or approximately \$2.43 billion in reduced annual charitable giving. This effect appears relatively modest because only a small share of itemized giving falls below the 0.5% threshold. While it is possible that some households might reduce their gifts or stop donating altogether because they think a floor is “unfair,” no data are available to guide such an analysis.



OB BB POLICY 3: 35% Cap on Deductions for Top Marginal Tax Filers¹⁰

FINDING 2C: The 35% cap on itemized deductions for top marginal tax filers is estimated to decrease total household charitable giving by approximately \$6.10 billion annually, with a plausible range of \$4.1 billion to \$8.2 billion.

The third OB BB policy affecting household charitable giving limits the value of itemized deductions, including charitable contributions, to 35% of a taxpayer’s income for those in the top marginal income tax bracket (37%).ⁱ

ⁱ Prior to the OB BB, the value of itemized deductions, including charitable contributions, generally corresponded to a taxpayer’s marginal tax rate (e.g., 37% for top-bracket filers). Under the OB BB, that value is capped at 35% for taxpayers whose pre-deduction income places them in the top marginal tax bracket. Because eligibility is based on pre-deduction income, some taxpayers whose deductions would otherwise reduce them below the top bracket may also be affected by this policy.

This affects a relatively small share of taxpayers, but one that accounts for a substantial portion of total charitable giving. IRS data indicate that households with adjusted gross income of \$500,000 or more accounted for approximately 57% of itemized charitable giving in 2022, and households with income of \$1 million or more accounted for approximately 48%. Based on these distributions, more than half of itemized charitable giving is likely to come from households potentially affected by this policy.

By limiting the value of the charitable deduction from 37% to 35%, the policy increases the after-tax cost of giving for these households. Prior research indicates that higher-income donors tend to be more responsive to changes in the tax price of giving than other donors, in part because they give larger gifts and are more likely to plan their giving in consultation with financial advisors.¹¹

Based on a range of plausible assumptions about the tax-price elasticity of giving for high-income households, the estimated reduction in charitable giving ranges from approximately \$4.1 billion under lower responsiveness assumptions to approximately \$8.2 billion under higher responsiveness assumptions. The central estimate used in this report is \$6.1 billion, reflecting our best estimate, which is in the middle of the range, given the likelihood that high-income donors are relatively responsive to changes in tax incentives. Detailed estimates under alternative elasticity assumptions are presented in the Methodological Appendix.

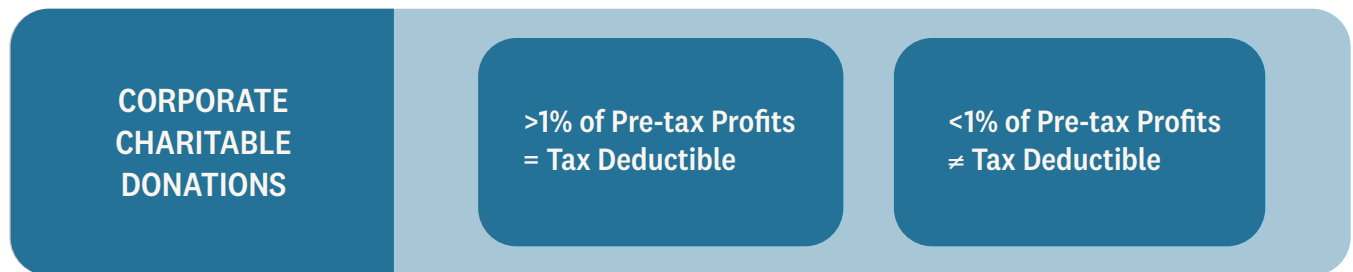
B. Estimated Effects of the OBBB on Corporate Giving



OBBB POLICY 4:
The 1% of Pre-Tax Profits Floor

FINDING 3: The 1% floor on corporate charitable deductions is estimated to decrease total corporate giving by approximately \$1.55 billion annually, with a plausible range of \$0.93 billion to \$2.49 billion.

After examining three policies of the OBBB that affect household charitable giving, this report turns to corporate giving. The OBBB introduced a 1% floor on the deductibility of corporate charitable donations. Beginning in 2026, corporations may deduct charitable contributions only to the extent that their total giving exceeds 1% of pre-tax profits. Contributions below that level remain valid charitable gifts but are no longer tax deductible.



Estimating the effects of this policy is more difficult than for household giving because publicly available data on corporate charitable contributions are limited. To inform the analysis, this study draws on two sources: the Chief Executives for Corporate Purpose (CECP) *Giving in Numbers* survey¹² and *Giving USA 2025*. Data collected for *Giving in Numbers* captures a large share of corporate giving among major U.S. corporations. While the CECP sample is not fully representative of all firms, it includes many of the largest U.S. corporations and accounts for a substantial share of total corporate giving. For example, *Giving USA 2025* determined total 2024 corporate giving to be \$44.4 billion. Meanwhile, 186 CECP respondents reported giving equivalent to around 70% of that total, though definitions of giving may differ somewhat between the two sources.

CECP data indicate that only 28.2% of companies give at least 1% of their pre-tax profits. This means that for over 70% of corporations, this new 1% floor removes any tax incentive for charitable contributions.

At the same time, corporate giving is highly concentrated: the 28.2% of firms giving at least 1% of their profits account for 89.2% of total corporate giving in the sample. Taking into account both firms giving below 1%, and the first 1% given by firms above the threshold, approximately 26% of corporate giving may lose its deductibility status under the new policy.



For more than 70% of corporations, this new 1% floor would remove any tax incentive for charitable contributions

Corporate responses to the policy may moderate its potential effects. CECP survey data suggest that approximately 40% of corporations anticipate adjusting the timing or structure of their gifts to preserve deductibility. This is often done by “bunching” contributions using corporate foundations, funding nonprofit partners intermittently, or using alternative funding vehicles like donor-advised funds (DAFs). Such responses would reduce the effective impact of the 1% floor on total giving.

Based on a range of plausible assumptions about corporate tax-price elasticity and behavioral responses, the estimated reduction in corporate giving ranges from approximately \$0.93 billion (assuming substantial bunching and lower responsiveness) to \$2.49 billion (assuming limited bunching and stronger responsiveness). The central estimate used in this report is \$1.55 billion.

These estimates are well below some earlier projections (e.g., \$4.2 to \$4.8 billion in a study by Ernst & Young for Independent Sector).¹³ The simplest explanation is that available company-level data indicate that corporate giving is highly concentrated among firms already giving above the 1% threshold. As a result, although a large share of firms loses a tax incentive, a smaller share of total giving is directly affected.

Meanwhile, for many smaller corporations or for those whose giving is tied to community relationships, employee engagement, or in-kind contributions, charitable giving may be only weakly responsive to tax policy changes. Ultimately, due to the top-heavy nature of corporate giving, it seems unlikely that the 1% floor will reduce giving by much more than \$2.49 billion (unless prior estimates on the corporate elasticities of giving have been significantly off) and could reduce it by less. For these reasons, the likeliest estimate of the effect of this OBBB policy is a \$1.55 billion loss.

C. Other OBBB Policies That May Affect Charitable Giving

The four OBBB policies discussed above represent those most likely to drive large-scale changes in charitable giving, and for which enough available data exist to produce reasonable estimates. However, the OBBB contains several additional measures that may impact giving both directly and indirectly. The four policies considered below are among the most relevant, though this is not an exhaustive list.



OBBB POLICY 5:

Increase in the Standard Deduction and in the SALT Limit

The OBBB permanently increases the standard deduction to \$15,750 for single filers and \$31,500 for married filers (to be adjusted for inflation in future years). Because a higher standard deduction reduces the number of households that itemize their deductions, this change would be expected to reduce the tax incentive for charitable giving.

However, the largest shift in itemization behavior occurred with the Tax Cuts and Jobs Act (TCJA) of 2017, which substantially increased the standard deduction. The OBBB largely made those changes from the TCJA permanent and adjusted for inflation, suggesting that the incremental effects on giving may be limited.

At the same time, the OBBB also temporarily increased the cap on state and local taxes (SALT) deductions from \$10,000 to \$40,000. This change is expected to increase the number of households that itemize their deductions, restoring a tax incentive for charitable giving for some households and potentially increasing charitable giving modestly.

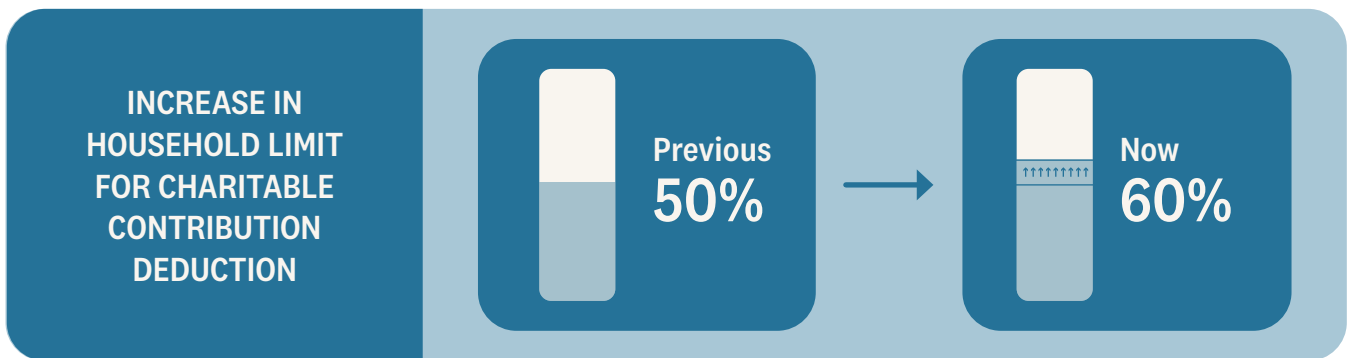
Currently, the data and tools available do not permit reliable estimates of the effects of these two policies. They are likely to operate in opposing directions, and their effects may offset one another. Also, the increase in the SALT cap is temporary and is scheduled to revert to \$10,000 in 2030. Historically, temporary policy shifts have smaller effects than permanent changes.ⁱⁱ

ⁱⁱ In federal tax policy, “permanent” policy are those not scheduled to expire under current law, but they may be modified or repealed by future legislation.



OBBB POLICY 6:
Increase in the Deduction Limit from 50% to 60% of Income

The OBBB permanently increases the limit that households may deduct for charitable contributions in a single year from 50% to 60% of adjusted gross income (AGI). Contributions above this limit may be carried forward for up to five years, as under prior law.



In practice, this policy is expected to have limited effects on overall charitable giving. Only a small number of households give more than 50% of their income in any given year, and those that do are typically high-net-worth households with substantial capacity to carry forward any excess contributions for up to five years. Existing research conducted a decade apart¹⁴ suggests that at least some households making very large gifts relative to their income are generally highly philanthropic and not strongly responsive to tax incentives. In these studies, many such households who were donating these large shares of their incomes were unable to fully deduct the value of their gifts even with the five-year carry-forward. This suggests that tax limits did not affect the charitable giving of a portion of these donors.

Together, these findings suggest that increasing the deduction limit from 50% to 60% of income is likely to have minimal effects on total charitable giving and may primarily affect the timing or reporting of very large gifts rather than the total amount given.



OBBB POLICY 7: Effects on Charitable Bequest Giving

The OBBB permanently increases the federal estate tax exemption from \$14 million to \$15 million for single filers, and from \$28 million to \$30 million for married filers, indexed for inflation in future years. Given that few households have estates of this size, this policy is expected to have limited effects on total bequest giving. However, for the wealthiest estates, a higher exemption reduces the tax incentive to charitable bequests.



In general, charitable bequests reflect a mix of altruistic motivations and tax considerations. Increasing the estate tax exemption reduces the share of estates subject to estate taxation, therefore reducing the marginal tax incentive to give through one's estate. As a result, a larger share of future bequest giving may reflect philanthropic priorities rather than tax planning.

Bequest giving is also the most volatile component of charitable giving estimated in *Giving USA*.¹⁵ Those Annual totals can be heavily influenced by a small number of very large estates; in some years, one estate may account for a substantial share of total bequest giving. This volatility makes it difficult to analyze the effects of policy changes in short time horizons.

As context, the largest recent change in estate exemption levels occurred under the Tax Cuts and Jobs Act (TCJA). Comparing overall bequests for the ten years before TCJA with the seven years since, average annual bequest giving post-TCJA is approximately 26% higher (in inflation-adjusted terms) compared to the pre-TCJA period. This suggests that additional increases in the estate tax exemption level have not been associated with changes in bequest giving amounts overall, at least in the aggregate.

These considerations suggest that the OBBB's increase in the estate tax exemption is unlikely to have a large effect on total charitable bequests, though it may reduce tax-motivated giving among the largest estates.



OBBB POLICY 8:
Education Freedom Tax Credit (School Choice Credit)

The OBBB creates an Education Freedom Tax Credit, also referred to as the School Choice Credit, effective beginning in tax year 2027 (filing year 2028). Under this policy, eligible households may claim a tax credit of up to \$1,700 for contributions made to a Scholarship Granting Organization. These organizations provide scholarships that may be used for tuition and other educational expenses at public, private, or charter K-12 schools.

Because this is a tax credit rather than a charitable deduction, it creates a different incentive structure. Contributions eligible for the credit are made with funds that would otherwise be owed in taxes, which may encourage some households to redirect a portion of their charitable giving (particularly gifts to educational institutions) toward these tax-credit contributions.

It is not currently possible to analyze whether this credit produces a meaningful substitution effect for charitable donations. However, it may be possible to estimate the “gross” participation in the program using IRS data on claimed tax credits, and to examine whether giving to educational institutions deviates from trends in survey data following implementation.

Conclusion

This report examines the potential effects of the OBBB on charitable giving in the U.S. Across the policies analyzed, the likeliest scenario is a decline in total charitable giving of approximately \$5.69 billion annually, along with an increase in the number of donors due to the introduction of a universal charitable deduction. These estimates reflect a range of plausible outcomes rather than a precise forecast, given data limitations and uncertainty about donor responses.

Taken together, findings suggest that tax policy continues to shape charitable giving, but its effects vary across donor groups and giving mechanisms. Changes that affect high-income households and large corporate donors have the greatest influence on total giving levels. Policies that broaden incentives to give, such as the universal charitable deduction, may increase giving participation even if overall giving declines. Several policies in the OBBB are also likely to have offsetting effects, with the net outcome reflecting multiple changes rather than any one policy.

For nonprofit organizations and practitioners, these changes may translate into the continued concentration of giving among major donors alongside growth in the number of smaller donors, as well as shifts in the timing and structure of some large gifts. For researchers, the results highlight the importance of tracking both short-term and long-term effects, as well as examining how policy changes affect different types of donors and charitable subsectors. This analysis does not capture distributional effects of policy changes across charitable subsectors or fully account for new forms of tax-credit-supported giving, highlighting opportunities for future research.

Overall, the OBBB is likely to reshape the charitable giving landscape in modest but meaningful ways. Continued examination of giving behaviors (along with improved data collection and availability) will be essential to understanding how these policy changes impact giving over time.

Methodological Appendix

This appendix provides additional detail on the data sources, assumptions, and analysis methods used to generate the estimates presented in the main report. Each section corresponds to a specific OBBB policy. All dollar values are presented in 2025 dollars unless otherwise noted.

A. UNIVERSAL CHARITABLE DEDUCTION FOR NON-ITEMIZERS

1. Data

Using data from the Philanthropy Panel Study (PPS), a module of the University of Michigan’s Panel Study of Income Dynamics (PSID), for 2022, the percentage of the non-itemizer population which gives above the threshold of \$1,000 for single households or \$2,000 for married households is approximately 14.5%, but this group donates approximately 84.2% of total non-itemized giving. Similarly, using the Survey of Consumer Finances (SCF) data for 2022, the equivalent percentages are 15.2% of donors giving 89.7% of the dollars donated by non-itemizing households.

While both PPS and SCF are considered gold standards of survey research, they do have different methods and sampling frames. The PPS totals would be biased downward slightly, as that data lack representation for the very wealthiest of non-itemizers; on the other hand, the percentages from the SCF data are likely biased upward slightly, as all donations less than \$500 are treated as \$0. For the sake of round numbers and being fairly conservative, this analysis assumes that approximately 15% of non-itemizers give above the threshold and account for approximately 85% of total non-itemized giving.

2. Methods and estimate details

To estimate the effect of the non-itemizer deduction, this analysis uses the same regression model for giving used in *Giving USA 2019* to predictⁱⁱⁱ changes in individual giving due to the Tax Cuts and Jobs Act (TCJA). This model includes independent variables for the (log) tax price of giving and a dichotomous measure of itemization, along with a robust set of relevant demographic controls.^{iv}

Upon testing, using purely post-TCJA data presented a challenge, as prior research shows that the tax price of giving has a heterogeneous effect based on income range, with higher-income households exhibiting significantly higher elasticity. Therefore, pre-TCJA data on tax price and itemization was used for estimation.

ⁱⁱⁱ Unpublished. Internal documentation shows a total estimated drop due to this model of \$13.0 billion; compare to current estimates of around \$15 billion annual loss due to TCJA.

^{iv} This inclusion of a 0/1 for deductibility status is unconventional but important; modeling shows a strong, non-linear effect when a household gains or loses itemization. Here it is assumed deductibility of charitable giving will function, in this context, identically to a gain of itemization status. An alternative model without this variable provides an alternate estimate of a \$1.8 billion total effect, with an increase of 6 million donors.

Estimating total giving effects. To estimate the increase in giving from current donors, analysis combined *Giving USA 2025*'s most recent estimate of non-itemized giving (\$133.12 billion), tax price elasticity for non-high net worth households (-0.7), and an assumed marginal tax rate (around 20%).^v Using these figures, charitable giving is estimated to have increased by \$3.05 billion from these donors. Using *Giving USA 2025*'s most recent estimate of non-itemized giving of \$133.12 billion, at 85% of this being unaffected means \$113.15 billion would see no change in the marginal tax price. For the remainder, we can use the lower tax price elasticity associated with non-high net worth households of approximately -0.7 and the assumed marginal tax rate of around 20% to arrive at an estimated increase in giving from current donors of:

$$\begin{array}{cccccc}
 \text{[Total non-itemized giving]} & * & \text{[% affected]} & * & \text{[change in tax price]} & * & \text{[tax elasticity]} \\
 \$133.12 \text{ billion} & & 15\% & & 20\% & & 0.7
 \end{array}$$

Inflating these values from 2022-\$ to 2025-\$, this would give us an estimate of \$3.05 billion in increased giving. This would be equivalent to just under 1% (0.8%) increase in household giving.^{xvi}

For the entire affected sample—defined as the approximately 85% of non-itemizing households whose giving falls below the deduction thresholds of \$1,000 for single filers and \$2,000 for married filers—mean giving increased by approximately \$45 (including non-donors). Given an estimated 116 million non-itemizing households,^{vi} and assuming that 85% of these households are affected by the policy, this scales to a net increase of approximately \$4.39 billion in 2025 dollars.

Estimating effects for existing and new donors. Given a total estimated increase in giving of \$4.39 billion and an estimated \$3.05 billion increase from existing donors, the remaining \$1.34 billion is attributed to giving from new donors induced by the policy.

A probit model on giving incidence using the same set of independent variables was used to estimate changes in the probability of donating. This model found an estimated 8.8 percentage point increase in the number of donors among the affected population. Extrapolating to all households, this represents a 6.6 percentage point increase, or approximately 8.7 million new donors. This estimate is consistent with, though somewhat higher than, prior estimates of approximately 7 million new donors associated with a universal charitable deduction.¹⁷

^v The 20% marginal tax rate used here is a rough estimate, rounded for simplicity. What is needed here is not a mean-by-household but rather a mean-by-dollar measurement of marginal tax rate seen by nonitemizers. There are no great sources for this, so the 20% was used as a rough heuristic. Some calculations broadly support it: using PSID data for 2022, and using the OBBB tax brackets, we find that the mean-by-dollar-given tax rate among non-itemizers is 20.2%.

^{vi} Census estimates 131,202,000 US households in 2022; the IRS reported 15,290,841 itemized returns for 2022. This 116 million is thus approximate – you have some double returns in there, while a number of non-filing households.

While only \$4.39 billion (2025 dollars) represents new giving, a much larger amount of giving will be newly recorded by the government. Using approximate totals from PPS and SCF,^{vii} newly reported giving from this line item would be approximately \$62.48 billion in 2025 dollars. This difference reflects the fact that many households were already donors but did not previously receive a tax deduction for their giving.

The estimates above present the annual change as occurring immediately; however, donor behavior will likely take time to fully adjust. Evidence following the TCJA suggests that changes in itemization status and reported giving patterns occurred gradually over multiple years. See the table below for declining reported itemization rates in a population with stable incomes under stable tax policy, suggested the reported decline is more one of recognition than actual change. In addition, some households may require time to plan and implement changes in response to

TABLE 4: REPORTED ITEMIZATION RATES POST-TCJA AMONG HIGH NET WORTH HOUSEHOLDS¹⁸

Report Planning to Itemize Their Federal Taxes for the Year:	2018	2021	2023	2025
Yes	58.5%	50.3%	45.6%	38.0%

B. 0.5% ITEMIZER FLOOR

1. Data

To determine the effect, we must first determine the amount of giving directly affected. For this work, the Philanthropy Panel Study (PPS) data are insufficient—while it excels where representative, it loses its representative nature near the upper 95th percentile of income, so estimates requiring high net worth individuals need to rely on other data. Here we’ll rely predominantly on the most recent Survey of Consumer Finances (SCF) data.¹⁹

2. Methods and Estimate Details

Using SCF data and only looking at itemizers,^{viii} we see an estimated 1.68% of itemized giving coming from those giving 0.5% or less of their reported income. If we make maximal assumptions from here—that they currently fall under a 37% marginal tax rate with a tax elasticity of -2.0—we would estimate:

$$\begin{array}{cccccc}
 \text{[Total itemized giving]} & * & \text{[% affected]} & * & \text{[increase in tax price]} & * & \text{[tax elasticity]} \\
 \$222.4 \text{ billion} & * & 1.68\% & * & 0.37 & * & (-2.0)
 \end{array}$$

^{vii} PPS data would show that 44% of extant non-itemized giving would be reported; SCF shows 36%. 40% is used as a convenient mean.

^{viii} Defined as saying yes to any of questions x7367, x7368, or x7369

Inflating these values from 2022-\$ to 2025-\$, this would result in a drop of \$3.02 billion. With more conservative assumptions—a 30% marginal tax rate on average with a -1.5 elasticity—this becomes a drop of \$1.83 billion (in 2025 \$). We then take as our likeliest outcome the mean of this range, \$2.43 billion.^{ix}

C. 35% CAP ON DEDUCTIONS FOR TOP MARGINAL TAX FILERS²⁰

1. Income Thresholds and Affected Taxpayers

For 2025, taxpayers are subject to the top marginal income tax rate of 37% at approximately \$751,600 in adjusted gross income (AGI) for married couples filing jointly and \$626,350 for single filers. Because the 35% cap applies based on pre-deduction income, taxpayers whose income exceeds these thresholds before deductions may be affected by the cap even if their deductions would otherwise reduce them into a lower marginal tax bracket.

As a result, the population affected by the cap includes both:

- taxpayers whose final taxable income places them in the 37% bracket, and
- some taxpayers whose deductions would otherwise reduce them into the 35% bracket.

This creates an “endogeneity” issue in estimating behavioral responses, as donor decisions about giving may affect their marginal tax rate.

Using IRS tabulations, households with adjusted gross income of \$500,000 or more accounted for approximately 57% of itemized charitable giving in 2022, and households with income of \$1 million or more accounted for approximately 48%.

Given the concentration of giving among high-income households, a large share of total itemized charitable giving is potentially affected by the 35% cap, even though the number of taxpayers affected is relatively small.

2. Interaction with State and Local Tax (SALT) Deduction Limits

The interaction between the 35% cap and the state and local tax (SALT) deduction is relevant for estimating its effects. Under the OBBB, the SALT deduction limit is temporarily increased (e.g., from \$10,000 to \$40,000) before reverting in future years. Changes in the SALT limit affect whether households itemize their deductions and the total value of itemized deductions available to them.

^{ix} There is a larger share of itemized giving that will lose its overall deduction status due to this change. Looking at the share of itemized giving that falls within donors’ first 0.5% of income in the SCF data for 2022, 11.4% of giving is affected (this includes the above 1.68%). However, this giving largely sees no change to the marginal price of giving due to this portion of the policy. While there is the loss in income due to the lost deduction, due to the small percent of income this deduction represents and the lower estimates on the income elasticity of giving, this cause would be expected to shift giving by only a fraction of a percent and so is not included as part of our estimate.

Because the 35% cap applies to the combined value of all itemized deductions, including charitable contributions and SALT deductions, changes in the SALT cap can influence:

- the number of households that itemize, and
- the extent to which the 35% cap binds for high-income taxpayers.

The analysis in this report does not attempt to separately estimate the interaction effects between the SALT deduction and the 35% cap, due to data limitations. However, this interaction is expected to have a secondary effect on the magnitude of the charitable giving response. Because the 35% cap applies to the combined value of all itemized deductions, including charitable contributions and SALT deductions, changes in the SALT cap can influence:

- the number of households that itemize, and
- the extent to which the 35% cap binds for high-income taxpayers.

The analysis in this report does not attempt to separately estimate the interaction effects between the SALT deduction and the 35% cap, due to data limitations. However, this interaction is expected to have a secondary effect on the magnitude of the charitable giving response.

3. Estimation Approach and Assumptions

Prior research suggests that higher-income households may be more responsive to changes in the tax price of giving than lower-income households. Several mechanisms contribute to this responsiveness, including:

- greater use of financial advisors,
- larger average gift sizes, and
- greater ability to time gifts across tax years.

The estimates in this report therefore apply a range of tax-price elasticities from -0.5 to -2.0 , consistent with values used in prior research and recent literature suggesting higher elasticities for high-income donors.

To estimate the impact of the 35% cap on charitable giving, the analysis applies a range of tax-price elasticities drawn from the literature. Prior research has often used elasticity values around -0.5 , while more recent work suggests that the tax-price elasticity of giving for high-income households may be closer to -2.0 or higher. The estimates in this report therefore use a range of elasticity values from -0.5 to -2.0 to reflect bounds of donor responsiveness, though only the range of -1.0 to -2.0 do we consider plausible.

Using estimates of itemized charitable giving and applying the elasticity assumptions described above, the estimated reduction in charitable giving ranges from approximately \$2.0 billion to \$8.2 billion (in 2025 dollars), with a central estimate of \$6.1 billion.

TABLE 5. ESTIMATED DECLINES IN ITEMIZED CHARITABLE CONTRIBUTIONS UNDER A 35% CAP ON DEDUCTIONS, BY TAX-PRICE ELASTICITY

Elasticity Assumed	Cap Used	After Tax Cost Before Cap	Cost After Cap	% Change in cost	% Change in Giving	Total Itemized Giving in 2022	Estimated Drop in Giving for 2022	Drop in Giving (2025-\$)	% Change in Giving From Base
-2	35%	0.63	0.65	3.175%	-6.35%	\$116.3B	-\$7.3B	-\$8.2B	-6.3%
-1.5	35%	0.63	0.65	3.175%	-4.76%	\$116.3B	-\$5.5B	-\$6.1B	-4.8%
-1	35%	0.63	0.65	3.175%	-3.17%	\$116.3B	-\$3.7B	-\$4.1B	-3.2%
0.5	35%	0.63	0.65	3.175%	-1.59%	\$116.3B	-\$1.8B	-\$2.0B	-1.6%

D. 1% OF PRE-TAX PROFITS FLOOR FOR CORPORATE GIVING

1. Data

The analysis of corporate charitable giving draws on data from the Chief Executives for Corporate Purpose (CECP) *Giving in Numbers* survey. CECP respondents consist primarily of large U.S. corporations and therefore are not a random sample of all firms. However, they account for a substantial share of total corporate giving. In 2025, 186 CECP respondents reported giving equivalent to approximately 70% of total corporate giving reported by *Giving USA 2025*, though differences in definitions of giving may exist between the two sources.

CECP data indicate that 28.2% of companies give at least 1% of pre-tax profits, while the remaining 71.8% give less than that threshold. Despite this, corporate giving is highly concentrated: the 28.2% of companies giving at least 1% of profits account for 89.2% of total giving in the sample. When both firms giving below 1% and the first 1% of giving by firms above the threshold are considered, approximately 26% of corporate giving would potentially lose deductibility under the policy.

2. Methods

To estimate the effect of the policy, the analysis combines:

- the share of giving affected,
- the marginal corporate tax rate (21%), and
- assumed tax-price elasticity of corporate giving.

The tax-price elasticity of corporate giving has been estimated in prior literature to fall between approximately -1.0 and -2.0, indicating relatively high responsiveness.

To estimate the central estimate, the analysis uses:

- total corporate giving of \$44.40 billion²¹
- an estimated 10.8% of giving directly affected,
- a 21% marginal tax rate,
- a -1.5 tax-price elasticity, and
- the estimated reduction in corporate giving is approximately \$1.55 billion (2025 dollars).

The estimate is also adjusted for “bunching” behavior. Assuming that 40% of affected giving is “bunched” and therefore retains its tax benefit, the estimated reduction in giving declines to approximately \$0.93 billion.

An alternative model assumes corporations maintain a fixed giving budget inclusive of tax benefits. Under this assumption and using a unitary elasticity of -1.0 applied to the 26% of giving affected, the estimated reduction in giving is approximately \$2.49 billion, with a lower bound of \$1.49 billion when bunching is incorporated.

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