
The Potential for Changing Business Giving Patterns from Recent Tax Law Changes

2025's [One Big Beautiful Bill Act](#) (OBBBA), like any major tax and budget law, will have far-reaching implications for households, businesses, government programs, and the economy as a whole. While those impacts have been the subject of much debate and analysis, one area of OBBBA's impact has not attracted similar attention. Specifically, the bill made several changes that could impact businesses of all sizes by setting new limits on the charitable deduction. This is true for corporations as well as for many small businesses that pay taxes through the individual returns of their owners and partners. Two changes in particular could eliminate a total of \$9 billion or more in charitable giving each year.

In communities that do not have a deep relationship with private philanthropy, corporate giving plays a crucial role in supporting local community-building events and educational and training programs that ready the workforce for careers in local businesses. Any decline in charitable giving from businesses, especially from small and medium-sized businesses would, therefore, be of particular concern to those communities.

Impact of Potential Changes

With many taxpayers still learning about and preparing to make adjustments based on the new tax law, its ultimate impact is still to be determined. However, many business leaders have shared concern about future, downward pressure on community donations. There are several ways such a decline could impact smaller communities and businesses of all sizes. Among the impacts most cited:

- Substantial weakening of workforce training programs that directly support critical sectors such as manufacturing, healthcare/nursing, technology, and energy,
- diminished flows of corporate support for small business loan programs, including CDFI programs,
- softening support of local training/credentialing programs at community colleges, and

- scaled back financial support of “quality of life” community programming such as parades and youth sports.

Changes to Deductions for Corporate Giving

Corporate Giving Floor

Beginning in 2026, corporations can no longer deduct the first 1% of taxable income that is donated to charity. This is sometimes referred to as a “floor”. For example, a corporation with \$10 million in taxable income which gives \$150,000 to charity can now only claim a \$50,000 deduction. Its first \$100,000 in giving is no longer tax deductible and now subject to the corporate income tax raising the cost of giving.

Corporations giving less than 1% of taxable income to charity would receive no charitable deduction at all. This is particularly noteworthy for mid-sized corporations, which recently averaged giving .7% - .9% of taxable income to charity.¹

Research indicates that the 1% corporate giving floor will reduce charitable giving by [\\$1.6 billion - \\$4.5 billion](#) per year.

Changes to Deductions for Small Business and Individual Giving

Individual Giving Floor

Beginning in 2026, taxpayers who itemize their deductions can no longer deduct the first .5% of Adjusted Gross Income (AGI) that they donate to charity. For example, an individual with an AGI of \$200,000 who gives \$2,000 to charity can now only claim a \$1,000 deduction. Their first \$1,000 in giving is no longer tax deductible and now subject to the individual income tax. This would also impact some small business owners who are not incorporated but do their giving as individuals.

[Research from the Lilly Family School of Philanthropy at Indiana University](#) estimates that the individual giving floor will reduce charitable giving by approximately \$2.4 billion per year.

Limit on Itemized Deductions

Beginning in 2026, the value of *all* itemized deductions, including the charitable deduction, is reduced for households whose income generally puts them in the highest tax bracket. This applies whether

¹ IRS, Statistics of Income Division: 2021 Publication 16, September 2024. corporations with \$10 million - \$500 million in total assets

those earnings are wages or the proceeds of a pass-through business.² It applies *after* the individual giving floor (above) is calculated.

For example, the owner of a successful pass-through business with an AGI of \$1 million who donates \$50,000 to charity in 2025 would claim a \$50,000 deduction and reduce their tax bill by \$18,500. In 2026, that donor will only be able to claim a \$45,000 deduction and reduce their tax bill by \$15,750.

Put differently, the cost of that \$50,000 donation will increase by roughly 9% in after-tax dollars. [Research from the Lilly Family School of Philanthropy at Indiana University](#) shows that the limit on itemized deductions could eliminate at least \$4.1-\$6.1 billion in giving per year.

Nonitemizer Charitable Deduction

Beginning in 2026, individual taxpayers who do not itemize and instead claim the standard deduction can claim an additional deduction for charitable donations. This deduction is capped at \$1,000 for individuals and \$2,000 for couples. There is not yet nationally representative research indicating the impact of the nonitemizer charitable deduction.

[Research from the Lilly Family School of Philanthropy at Indiana University](#) estimates that the nonitemizer charitable deduction will increase charitable giving by approximately \$4.4 billion per year.

Next Steps

While comprehensive and conclusive data on changes in giving patterns, driven by changes contained in OBBBA, will take time to gather, there are key ways for business leaders, associations, business leagues, and nonprofits to engage right now:

- Publicize these changes and plan for their projected impact with your membership and other community organizations.
- Begin tracking impact and collecting stories of how these changes are affecting your community, including on your organization, on small businesses, and on local nonprofits.
- Contact [Independent Sector](#) to share what you are learning, ask questions, and engage with policymakers to protect charitable giving from businesses of all sizes.

Big bills cause big changes. Understanding and assessing those changes is a critical step in educating policymakers about their impact and building strong, thriving communities.

² For taxpayers whose taxable income before considering itemized deductions would put them in the 37% tax bracket (individuals over \$640,600 or couples over \$768,700 in 2026), the value of itemized deductions is reduced by 2/37. This effectively limits the value of itemized deductions to 35% rather than 37%.