September 2026

Dear Friend,

Now that the 2025 tax season is behind us, you have probably started to see how the changes signed into law in July 2025 are actually playing out—especially when it comes to your personal taxes. More importantly, these changes open up new opportunities to be smarter about charitable giving while also reducing your tax burden.

As we head into the final months of 2026, it is a great time to step back and review your finances and estate plan. A few well-timed decisions now could lower your tax bill and help you make a bigger impact on the people and causes you care about.

Give More, Pay Less: How the New Tax Law Creates Opportunities for Smarter Charitable Giving

By Charles F. Mercer Jr., CFA, Institutional Investment Advisor with Truist Foundations and Endowments Specialty Practice; Cabbage Patch board member and member of the Planned Giving & Endowment Building committee at The Patch.

Most Significant Updates for 2026

- A temporary increase in the State and Local Tax (SALT) deduction cap
- A new universal charitable deduction—even for taxpayers who do not itemize

Together, these changes create new incentives for charitable giving and can lead to meaningful tax savings across a wide range of taxpayers.

For higher-income households, homeowners, and anyone who gives to charity, these updates could significantly shift your tax planning strategy. In this paper, we will focus on three key areas:

1. How the increased SALT deduction cap affects taxpayers nationwide

2. Why the higher SALT cap restores, and even enhances, the tax benefits of charitable giving for those who itemize

3. How the new "above-the-line" charitable deduction encourages giving for those taking the standard deduction

Expansion of the SALT Deduction

Until recently, taxpayers who itemized could deduct no more than $10,000 in combined state and local income, sales, and property taxes. Under the new law, that cap has been increased to $40,000 for tax years 2025 through 2029.

What does that really mean? In simple terms, it lowers the barrier to itemizing deductions, making it easier for your charitable giving to also deliver real tax benefits again.

Here are the key highlights:

- Up to $40,000 in SALT deductions ($20,000 if married filing separately or as a single)
- Full benefit available for taxpayers with modified adjusted gross income (MAGI) up to $500,000
- A gradual phase-down above $500,000, returning to a $10,000 cap around $600,000 of income
- A 1% annual inflation adjustment through 2029
- A reversion back to the $10,000 cap starting in 2030

Why This Matters to You

One of the most important, and often overlooked, effects of this change is how it brings back the tax advantage of charitable giving.

In recent years, many taxpayers found that their charitable contributions did not actually reduce their taxes, because the SALT cap made it harder to itemize. With the higher cap, that dynamic changes. Charitable giving can once again provide both personal and financial benefits.

Let us look at a simple example to see how this works in practice:

Married Filing Jointly • AGI $300,000 • Marginal tax rate 32%

Deduction Category	Prior Law ($10,000 SALT Cap)	New Law ($40,000 SALT Cap)
State & Local Taxes (SALT)	$10,000 (capped)	$30,000 (fully deductible)
Mortgage Interest	$10,000	$10,000
Charitable Contribution	$5,000	$5,000
Total Itemized Deductions	**$25,000**	**$45,000**
Standard Deduction (MFJ)	~$30,000	~$31,500
Itemize or Standard?	Standard	Itemize
Incremental Value of $5,000 Gift	$0	$5,000 fully deductible
Federal Tax Savings from Gift (32%)	$0	**$1,600**

Key Insight

Here is the big takeaway: the expanded SALT deduction makes charitable giving much more valuable from a tax perspective.

For many households that previously could not itemize, charitable donations now provide a *real, incremental* tax benefit. In this example, itemized deductions exceed the standard deduction by about $13,500, making itemizing the clear winner.

And just as important: under the new rules, every dollar you give to charity is now deductible (up to applicable phase-out limits).

So, what does that look like in practice?

For a $5,000 donation:

- You could save about $1,600 on federal taxes (assuming a 32% tax rate)
- That brings your effective cost of giving down to $3,400

In other words, your generosity goes further and costs you less

Charitable Giving for Standard Deduction Filers

If you do not itemize, there's good news for you too.

While the SALT expansion mainly benefits itemizers, the new law also introduces a permanent charitable deduction for those who take the standard deduction. This is important; it brings back a tax benefit for giving to the majority of taxpayers.

Now, even if you do not itemize, you can deduct charitable contributions above the line, which directly reduces your adjusted gross income (AGI).

Here is how it works:

- Up to $1,000 for single filers
- Up to $2,000 for married couples filing jointly
- No need to itemize to claim it

Example: Standard Deduction Household

Let us walk through a simple example:

- Married filing jointly
- AGI: $120,000
- Charitable donations: $2,000
- Marginal tax rate: 22%
- Still taking the full standard deduction

What is the result?

• Your AGI drops by $2,000
• You save about $440 in federal taxes
• And you still keep your full standard deduction

The bottom line: even if itemizing does not make sense for you, your charitable giving can still deliver real tax savings.

Conclusion

This new tax law changes the landscape in two important ways.

First, the expanded SALT deduction brings itemizing back into play for many households, potentially lowering tax bills in a meaningful way.

Second, it creates a two-track system for charitable giving:
• One that enhances benefits for those who itemize
• And another that ensures non-itemizers still receive tax advantages

Together, these changes make giving more tax-efficient, simplify planning for many families, and give higher-income households more flexibility to align their philanthropy with their overall tax strategy.

If you are in a position to itemize under the new SALT cap, it may be worth revisiting some proven giving strategies, such as:
• Using donor-advised funds (DAFs) to bunch multiple years of giving
• Donating appreciated securities (which can provide both a tax deduction and help you avoid capital gains taxes)
• Timing larger gifts in higher-income years

At **The Cabbage Patch Settlement House,** your generosity does more than provide a tax benefit, it directly supports programs that strengthen families, expand opportunities for children, and uplift the entire community. Every gift helps create meaningful, lasting impact in the lives of those we serve.

Please be sure to include your name and address with your gift so we can properly thank you for your support.