Subject: July Newsletter: New Tax Rules for Charitable Giving. Plus, Adjusting for the New Senior Tax Deduction.
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Hello Greenleaf,
Welcome to Our Client Newsletter

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New Tax Rules for Charitable Giving

Brace yourself. The tax breaks for charitable donations have become vastly more complicated under the recent One Big Beautiful Bill Act. Some donors will enjoy slightly higher tax benefits, while others will lose tax benefits.

The new tax rules take effect next year and will be calculated on your 2026 tax return. Since these new rules are not effective for 2025, you may wish to take advantage of the current rules before they change.

Question:

What Changes Should I Make Due to the New Senior Tax Deduction?

Answer: Starting this year, tax filers age 65 and older may be able to take an additional $6,000 deduction from their taxable income.

If you qualify, you should consider a reduction in your federal tax withholding. Alternately, you can reduce your remaining estimated tax

Market News: U.S. Stock Market Achieves New Records

The S&P 500 Index has marched steadily higher in July, setting nine new records during the month.

Corporate earnings reports have continued to please investors. In particular, record earnings for the world's largest chip maker, Taiwan Semiconductor Manufacturing, drove technology stocks higher.

In addition, a surge in

If You Take The Standard Deduction

The changes in the last gigantic tax bill in 2017 caused millions of filers to switch from itemizing their deductions to taking the standard deduction. Sadly, because filers could no longer list charitable donations on Schedule A -- and get a specific tax break for them -- researchers believe U.S. charitable giving declined by $16 billion annually.

In a modest shift, donors who don't itemize will be able to take an annual deduction of as much as $2,000 for married filing jointly filers and $1,000 for single filers for their charitable donations.

There is a catch. The deduction is for cash donations only.

Donations of household items to Goodwill, for example, do not qualify, nor do donations of assets including stock and mutual fund shares. Similarly, contributions to a donor-advised fund do not qualify.

If You Itemize Your Deductions

Those who itemize their deductions bear the brunt of the new charitable-giving tax legislation.

In essence, donors will not be able to deduct all their charitable donations made during the year. Instead, an amount equal to 0.5% of their adjusted gross income is disqualified as an itemized deduction.

For example, a couple that itemizes and has $225,000 of adjusted gross income (AGI) will not be able to deduct payments.

Eligibility: For single tax return filers, you must have Modified Adjusted Gross Income (MAGI) of $75,000 or less to qualify for the full $6,000 deduction.

The deduction is gradually reduced for higher incomes, but at $175,000 or more, there is no new deduction.

For married filing jointly taxpayers, the MAGI limit is $150,000 for the full deduction. Each spouse age 65 or older is then eligible for a $6,000 per person deduction.

Between $150,000 and $250,000 of MAGI, the deduction is reduced. If you are married filing jointly and have MAGI of more than $250,000, then you do not qualify for the new deduction.

The new deduction applies whether you itemize your deductions or take the standard deduction. Each qualifying person must have reached age 65 by the end of the tax year.

Extra, Extra: This new deduction gets added to the existing senior deduction of $2,000 for individual filers and $1,600 each for joint filers.

Expiration: Per the legislation, this new deduction is only good for tax years 2025 trading activity helped profits rise at Charles Schwab and other brokerage firms and investors quickly snapped up shares of some financial-service firms.

Finally, signs of progress with U.S. trading partners encouraged investors to seek new holdings in July. Investors showed a renewed interest in bargain stocks that have been overlooked in the AI frenzy.

On the other hand, airline stocks fell this month as travel demand weakened, while stocks such as Chipotle reported sales declines. Automaker shares also fell as General Motors and others reported that tariffs on auto parts have cut profits significantly.

In the coming weeks, the market's record-breaking run will be put to the test. More companies will be reporting their quarterly earnings and economic data may provide some clues about the impact of job losses, consumer activities, and new trade circumstances.

Some analysts suggest caution is warranted as private-sector job growth has fallen to the lowest level in eight months and college graduates are struggling to find jobs.

For the time being, investors face an odd combination. Speculation in risky investments, including cryptocurrencies, has increased, yet a few cracks in the economy are evident. We shall see if pessimism

$1,125 of their charitable donations that year. If they gave $2,000, they will be limited to a deduction of $875.

In addition, top-bracket taxpayers will only get to take itemized charitable deductions at 35%, not 37%. For joint filers, the top bracket begins at about $752,000 of taxable income. This is in addition to the 0.5% disallowance.

Planning Recommendations
The new limitations apply in 2026. Therefore, if you are an itemizer that makes annual charitable donations, consider making your 2026 amounts in 2025.

In future years, the "bunching" strategy, whereby you "bunch up" multiple years of donations into a single year will help minimize the detrimental new rule. This applies to all types of donations (cash, appreciated shares, etc.) and to donor-advised funds.

For those age 70 1/2 and older who also itemize their deductions, we encourage you to make Qualified Charitable Distributions (QCDs) from your IRA or Inherited IRA accounts.

QCDs are direct, tax-free transfers to a qualified charity. The money coming from your IRA is not included in your income, making this type of donation better than any other method of giving for itemizers or for those who take the standard deduction and give more than the $1,000 per person deduction.

We hope this new rule does not reduce your charitable donations. Although many

through 2028.

How Does a Deduction Work? A deduction reduces your taxable income. For example:

- Taxable income after deductions = $70,000
- Federal tax at 15% effective rate = $10,500

With an additional $6,000 deduction:

- Taxable income after deductions = $64,000
- Federal tax at 14% effective rate = $8,994

Your tax savings amount to $1,506. Therefore, in this example, you could lower your 2025 tax payments by $1,506.

We recommend reviewing your tax return with your CPA in light of this new deduction. If you qualify, you can adjust your tax payments now rather than wait for a tax refund in mid 2026.

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returns but for now, investors have benefitted by sticking with the U.S. stock market.

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people give whether or not there is a tax benefit, the 2018 changes show that reducing the tax benefit significantly -- and negatively -- influences charitable giving.

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