



Big Brothers Big Sisters[®]

OF AMERICA

ONE BIG BEAUTIFUL BILL ACT (OBBBA) OVERVIEW

BACKGROUND

The One Big Beautiful Bill Act (OBBBA) 139 Stat. 72 - Public Law No. 119-21, which aims to reform elements of the U.S. tax code, was signed into law by President Trump on July 4, 2025. This new law will impact the future operations and fundraising efforts of Big Brothers Big Sisters (BBBS) agencies due to forthcoming tax related changes. The act goes into effect on January 1, 2026.

The following overview outlines key elements of the act most relevant to BBBS agencies for compliance and is not fully comprehensive of the new law. The document was informed by a memo written by Ice Miller LLP specifically for the nonprofit sector. Each part includes the Section number in the OBBBA for reference. This information is advisory and not intended to be financial advice. BBBS agencies should consult their financial professionals to determine exactly how these changes will affect them.

Big Brothers Big Sisters of America (BBBSA) will continue to share insights as further information is available on fundraising related changes because of OBBBA.

INDIVIDUAL DONATIONS

The OBBBA made changes to individual charitable donations for all taxpayers whether they elect the itemized or standard deduction that will affect nonprofit fundraising. For everyday donors, there will be new incentives to give but for major donors, there are two provisions that could reshape giving incentives for those who itemize deductions.

Taxpayers electing the Standard Deduction

Taxpayers electing the standard deduction can now deduct charitable giving from their taxable income. Taxpayers who take the standard deduction may claim an above-the-line deduction for charitable contributions of up to \$1,000 for single filers and \$2,000 for joint filers. See Section 70424.

Potential Impact on BBBS Agencies: This change could be beneficial for the revenue streams of BBBS agencies because it may incentivize more charitable giving from a broader group of taxpayers, especially smaller donors.

Taxpayers electing the Itemized Deduction

OBBBA creates a new 0.5% minimum threshold for charitable deductions for taxpayers who itemize, which means that the deduction is only available on contributions more than 0.5% of the taxpayer's contribution base. Deductions which are disallowed by the 0.5% floor may be carried forward but only if the individual also exceeded the 0.5% floor in that year. See Section 70425.

Secondly, there is now a 35% Cap on itemized deduction value, reduced from 37%. Higher wealth donors will be mindful of the tax implications of their charitable giving now that they have two percentage points less for their annual giving totals. See Section 70111.

Potential Impact on BBBS Agencies: This change could be problematic as major donors may be less likely to engage in charitable giving. The introduction of the 0.5% charitable deduction floor could result in only allowing a deduction between the 0.5% floor and the applicable percentage of the taxpayer's adjusted gross income (based upon the type of donation in question).

CORPORATE DONATIONS

The OBBBA made changes that could reshape corporate giving patterns and influence how we engage with our corporate partners. See Section 70426.

Corporations may now only deduct charitable contributions more than 1% of the corporation's taxable income and are less than 10% of the taxable income ceiling. Charitable contributions more than the 10% ceiling may be carried forward for up to five years, but contributions below the 1% floor carry over only if the corporation's contributions exceed the 10% ceiling.

A charitable contribution up to the 1% is going to increase the out-of-pocket tax liability of the corporation because the entity will not get the charitable contribution deduction (at least in the year the donation is made) for that amount plus they will still have to pay tax on that income even though funds are not in the corporation since those funds have been donated. Additionally, the corporation is only able to carry-over that disallowed 1% deduction to a future year if they exceeded the 10% ceiling as well in that year, which means it's a lost deduction completely if the corporation did not exceed the 10% ceiling in the same year.

Potential Impact on BBBS Agencies: Corporations may change how or when they contribute to charitable causes.

STANDARD DEDUCTION

The 2017 Tax Cut and Jobs Act increased the standard deduction, but this increase was set to expire at the end of 2025. OBBBA made this increase permanent and increased the standard deduction in 2025 from \$15,000 to \$15,750 for individuals filing singly or from \$30,000 to \$31,500 for married filing jointly. These amounts remain subject to annual adjustments for inflation. The continued increase to the standard deduction could likely reduce the number of individuals claiming itemized deductions. See Section 70102.

Potential Impact on BBBS Agencies: Increasing the standard deduction could mean fewer taxpayers will itemize, which would impact individual giving but hopefully that will be offset by the new universal charitable deduction included in the OBBBA for taxpayers that elect the standard deduction.

ESTATE AND GIFT TAX

The OBBB increases the basic exclusion amount for estate and gift tax purposes from \$5 million and (\$10 million for joint filers) to \$15 million for single filers (\$30 million for joint filers). These amounts remain subject to annual adjustments for inflation. See Section 70106.

Potential Impact on BBBS Agencies: This change could decrease the incentive for gifts as part of estate planning strategies, although it could encourage more gifts during the life of high net-worth individuals looking to take advantage of the charitable contribution in the year of their gift.

OVERALL KEY TAKEAWAYS AND CONSIDERATIONS

The outcome of OBBBA is mixed with opportunities and challenges for nonprofits. Certain OBBBA provisions could offer increased funding and financial stability, but others present new challenges and administrative burdens. OBBBA introduces provisions that incentivize broader charitable giving, but there could be losses from reduced high-end donations because donors may face less value from their charitable deductions. Furthermore, the new corporate giving floor could affect corporate giving strategies, and according to Ernst & Young potentially reduce corporate charitable giving by \$4.2-\$4.8 billion per year.

The ability of BBBS agencies to navigate these changes will require remaining flexible, innovative, and proactive in addressing the new tax rules.

Considerations for BBBS agencies to think about now:

- Accelerating contributions in 2025 may yield greater tax savings. Communicate to your donors, especially corporate, foundation and high-income givers, about the opportunities to maximize their giving before the new tax law goes into effect on January 1, 2026.
- Develop clear messaging for 2026 that explains the new tax deduction benefit to non-itemizing donors and consider segmented communication strategies that highlight this upcoming incentive.
 - **Suggested language could include: "Starting in 2026, you'll get a tax break for your donations even if you don't itemize your taxes. For the first time, every household can deduct up to \$1,000 (\$2,000 for couples) in charitable giving — making your generosity go further."**
- Talk with your corporate partners about the new tax law and explore the following ways that corporations can give under OBBBA:
 - Consolidate Contributions: Consider combining annual giving into larger, single gifts that surpass the 1% floor.
 - Explore Sponsorships: Support events or programs that allow your gift to qualify as a marketing expense.
 - Align Timing: Work with your finance team to schedule contributions for maximum deductibility.
 - Think Long-Term: Multi-year pledges help with planning on both sides and ensure your impact is sustained.

QUESTIONS

For questions about OBBBA, BBBS agencies should consult their financial professionals to determine exactly how these changes will affect them.