LEHIGH VALLEY COMMUNITY FOUNDATION

CAUSE CONNECTION

Connecting people who care to causes that matter

August 2025

Tax Legislation: What's the Latest?

The One Big Beautiful Bill Act was signed into law on July 4, 2025. Three major takeaways are of particular importance as LVCF helps donors and fundholders navigate charitable planning opportunities over the months and years ahead.

#1: Standard deduction goes up

The new law makes permanent the standard deduction increases under the Tax Cuts and Jobs Act of 2017 (TCJA), increasing the standard deduction for 2025 to $15,750 for single filers and $31,500 to taxpayers who are married and filing jointly. The new law also expands the "bonus" deduction for taxpayers 65 and older through 2028.

Under the new law, individuals who itemize may take charitable deductions only to the extent the charitable deductions exceed 0.5% of adjusted gross income. Taxpayers in the top bracket can now claim a 35 percent tax deduction for charitable gifts instead of the previous 37 percent. The bill also extended the 60% of adjusted gross income contribution limitation for cash gifts made to certain qualifying charities.

What can you do? If you regularly support charities, it's essential to continue to do so, whether or not you're benefiting from a tax deduction. Our community needs you, now more than ever. We know that many factors motivate charitable giving, and philanthropy is an important priority.

#2: Deduction for non-itemizers

The new law includes a provision, effective after 2025, allowing non-itemizers to take a charitable deduction of $1,000 for single filers and $2,000 for taxpayers who are married and filing jointly. As has been the case in the past, gifts to donor-advised funds are not eligible.

What can you do? This is an opportunity to encourage those early in their careers and not yet itemizing deductions to take a serious look at the causes they care about to think about their philanthropic goals. Please reach out to learn how we can help you make the most of the new tax laws, and even get your children and grandchildren involved.

#3: No sunsetting estate tax exemption

For the past few years, we've had the looming possibility that the TCJA's increase to the estate tax exemption would sunset at the end of 2025. Under the OBBBA, the sunset will not happen. The new law makes permanent the increase in the unified credit and generation-skipping transfer tax exemption threshold. The 2025 exemption is $13.99 million for single filers and $27.98 million married filing jointly. In 2026, these numbers increase to $15 million and $30 million respectively.

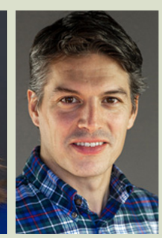
What can you do? There is no guarantee that the estate tax exemption will stay high forever. The next two years are an important window to plan ahead. Families have more time to thoughtfully consider estate planning strategies, including charitable giving.

IN THE NEWS

LVCF Strengthens Board of Governors with Community & Business Leaders

The Community Foundation recently announced the appointment of three community and business leaders to its Board of Governors: (l.) **Anne Baum**, Lehigh Valley Reilly Children's Hospital, part of Jefferson Health; (m.) **Kathryn M. Brown**, **CFP, ChFC, CAP®**, co-founder and principal of Morton Brown Family Wealth, and (r.) **Nicholas (Nic) Hindle**, president of HindlePower Inc. Anne Baum will serve on the Foundation's Community Investment Committee and Kathryn Brown and Nic Hindle will serve on the Finance Committee.





"These three outstanding leaders bring a powerful combination of business acumen, financial insight and deep community commitment to the Foundation," said **Erika Riddle Petrozelli, CPA, CAP®**, president and CEO of the Community Foundation. "We are honored to welcome Anne, Nic and Kathryn. Their expertise will strengthen our ability to steward philanthropic resources and ensure long-term impact in the Lehigh Valley and beyond." Learn more...

Deep Dive: Lehigh Valley Arts and Culture Economy

Over the past few months, we've heard a great deal about budget negotiations at all levels of government—federal, state, and local. While the conversations are complex and the implications are not necessarily known or felt immediately, several sectors that traditionally rely on government funding—such as the arts and creative economy sector—reassessed their operations and took steps to prepare for uncertainties and anticipated cuts.

The Lehigh Valley Community Foundation reached out to a cross-section of arts and cultural organizations in Lehigh and Northampton Counties, from legacy institutions to fledgling projects in their infancy, to get a sense of how these changes were impacting the sector. These conversations helped us understand some common themes and see opportunities to support organizations and perhaps help them emerge from this time even stronger than before.

Challenges to the Arts Sector

Earlier this year, cuts at the National Endowment for the Arts and the National Endowment for the Humanities received a lot of press about the impact on arts organizations nationally. At the same time, question marks about the national and global economy – threats of tariffs, impact of pending tax bill, lingering inflationary pressures – all made for an unstable time in the economy. The same forces impacting for-profit business sectors were also limiting arts organizations' ability to do reliable business planning.

- **Continuing impact of COVID:** Many organizations cited the shadow of COVID persisting to current day. Attendance, subscriptions, donations have not rebounded.
- **Holding breath:** While most organizations were able to finish out their current fiscal year holding steady, they are bracing for impact in FY26 and the cascade of secondary impacts from revenue restrictions further upstream. Hiring freezes, reductions in planned programs, raised ticket prices, drastically reduced budgets, and postponed maintenance/repairs were all mentioned.
- **Reduced revenue/disposable Income:** Spending on items and experiences in the arts sector can be seen as a luxury item and uncertain economic outlook makes everyone – leaders and individuals alike – less likely to spend resources for arts experiences.

Sustainability Moving Forward

To ensure long-term sustainability, local arts organizations are tapping their most valuable resources: their creativity, collaboration, resilience, and community spirit. Many organizations talked about a strong sense of common purpose, a determination to help one another through upcoming challenges, and a persistent sense of hope for the future. Moving forward, local arts organizations are pursuing several strategies:

- **Diversifying revenue streams**, including partnerships and creative donor cultivation, to reduce dependency on single sources of income.
- **Developing community-focused programming** that reflects the diversity of local populations and builds lasting engagement.
- **Creating new models** of support and audience cultivation that tap into changing appetites and habits of younger art lovers.
- **Investing in administrative infrastructure** through capacity-building grants and training programs.
- **Expanding advocacy** at the federal and state levels to stabilize public funding.

Arts are Essential

Throughout these conversations, we heard a common refrain: "Arts are essential to life." Leaders reiterated art's impact on regional community and economic development, mental and physical health, reduced social isolation, youth leadership and skill development, increased educational opportunities, an overall greater sense of beauty, meaning and connection—generally, an improved quality of life for everyone in our community. What's clear is that our local arts organizations remain committed to their missions and to helping each other continue to bring these essential gifts into all of our lives, no matter what—and they need our support to do just that.