



LEHIGH VALLEY COMMUNITY FOUNDATION

ADVISOR CONNECTION

October 2025

The Clock Is Ticking on Charitable Giving for 2025

Time has a way of slipping past even the best-intentioned plans. For decades, charitably inclined Americans have relied on a generous tax code to make their giving go further. But that era is about to change. Unless professional advisors help their clients act before December 31, 2025, a rare opportunity will close—and it may never return.



The reason is technical but profound: beginning in 2026, a series of new tax rules will make charitable deductions less powerful. For donors who pride themselves on both generosity and financial savvy, the landscape will shift. The dollars they give will still matter, but the tax efficiency that has long amplified those gifts will diminish.

What's Coming

Major shifts in the tax code are scheduled to take effect on January 1, 2026, and they will directly impact the value of charitable deductions. While the changes may look minor at first glance, their cumulative effect will reduce the tax advantages of giving and diminish the resources available for philanthropy. For families planning significant gifts, the difference could amount to thousands of dollars lost—money that might otherwise support scholarships, food programs, or cultural institutions.

KEY PROVISIONS

- **0.5% AGI floor:** The first 0.5 percent of a donor's adjusted gross income given to charity will no longer be deductible. The "first dollars" of giving will provide no tax benefit.
- **Reduced benefit for top earners:** Taxpayers in the highest bracket will see deductions offset income at 35 percent rather than today's 37 percent, lowering the value of large gifts.
- **Limits for non-itemizers:** A capped above-the-line deduction—\$1,000 for individuals and \$2,000 for couples—will replace the more flexible options available under current rules.

Together, these adjustments create a clear incentive for donors to accelerate planned giving into 2025, before the new restrictions arrive.

The Case for Acting Now

For professional advisors, the call to action is clear. Clients who plan to give in the years ahead should be encouraged to "bunch" their charitable contributions into 2025. By accelerating gifts originally intended for 2026 or beyond, donors can preserve the stronger deductions available under current law.

(Continued)

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 (until Oct. 31); (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...](#)

The challenge, of course, is that few clients want to overwhelm their favorite charities with several years' worth of donations all at once. The solution lies in creating a donor-advised fund (DAF) at the Lehigh Valley Community Foundation. Clients can contribute a significant sum in 2025, take the full deduction this year, and then recommend grants to local nonprofits gradually over time.

This approach satisfies both sides of the equation: the tax efficiency of giving under the old rules, and the practical desire to support causes year after year.

Why the Community Foundation?

The Lehigh Valley Community Foundation is more than a vehicle for tax savings. It is a partner in philanthropy. A fund here connects clients to the region's most pressing needs, offers professional oversight, and removes the administrative burden of compliance, reporting, and investment management.

Just as importantly, a fund becomes a family's philanthropic anchor. It provides a structure through which children and grandchildren can participate in giving, creating a legacy that extends beyond tax returns. For many families, that is the most valuable benefit of all.

Advisors as Guides

The role of the advisor in this moment cannot be overstated. It is not enough to know the rules; clients need someone to help them see what is at stake. A conversation today can save them from regret tomorrow.

- Review clients' charitable intentions for the next several years.
- Model the tax outcomes of giving now versus waiting until 2026.
- Encourage the creation or expansion of a fund at the Community Foundation.
- Begin the process well before December 2025, particularly for gifts of securities or real estate that require additional steps.

These are not just technical recommendations. They are opportunities to strengthen client relationships and demonstrate foresight at a time when the landscape is shifting.

The Closing Window

Philanthropy has always been about more than tax law. Yet we would be naïve to pretend that tax incentives do not influence when and how much people give. The coming changes will not erase generosity, but they will blunt its financial edge.



Inherited IRAs: A Charitable Solution?

Remember when heirs could stretch inherited IRA withdrawals over their lifetimes, deferring income tax for decades? The SECURE Act of 2019 largely ended that "stretch IRA," requiring most non-spouse beneficiaries to drain accounts within 10 years.

For certain clients, though, there's [a creative alternative](#). Consider this ideal profile:

- The client owns an IRA and prioritizes philanthropy in their estate plan.
- They have a younger, high-earning heir eager to defer taxes.

The strategy works like this: instead of naming the heir directly, the client names a charitable remainder unitrust (CRT)—or "NIMCRUT"—as the IRA's beneficiary. Upon death, the CRT receives the IRA proceeds. Because it's tax-exempt, the trust can distribute income to the heir over time, recreating the old "stretch" effect. The heir pays taxes only on annual distributions, while the remaining assets eventually flow to charity.

So why not everyone? Three reasons.

- If the heir is too young, IRS rules can force payout rates so low the setup isn't worth the cost.
- If the heir dies early, the charity receives everything.
- Even compared with the 10-year rule, it can take years for tax benefits to outweigh the charitable remainder.

The takeaway: For clients deeply committed to philanthropy, naming a charity—such as their community foundation fund—as the IRA beneficiary may better fulfill their legacy while leaving other, step-up-eligible assets for heirs.

The LVCF team is always here to help.