

# CAUSE CONNECTION

Connecting people who care to causes that matter

#2026taxseasonmarchmadness

## March Madness Has New Meaning for Tax Preparers

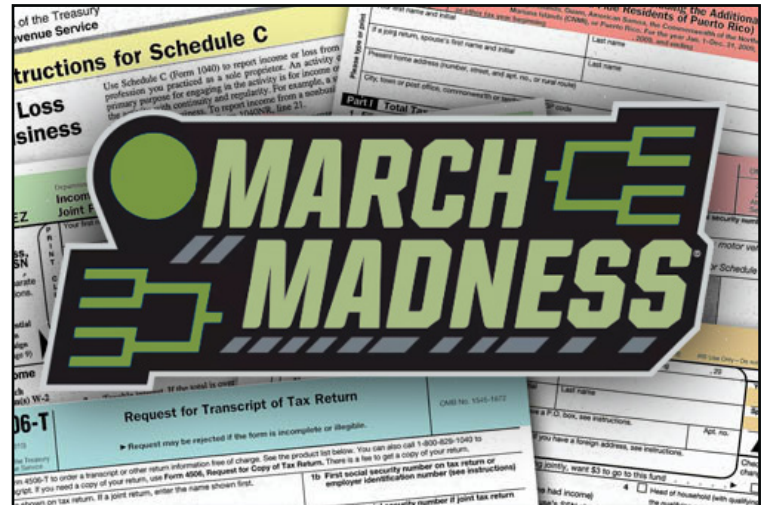
March madness has a whole different meaning for professionals preparing tax returns. Not long after the national college basketball championship teams are crowned, there will be a collective sigh of relief as another tax season comes to an end in mid-April.

While not a total gamechanger, this tax season has a different twist than those of recent years due to more recent federal tax law changes affecting charitable giving. Undoubtedly, many taxpayers have already asked their accountants about the impact of these changes for future tax planning purposes, and this will continue to be a focus for the post-season and beyond.

### What's New for 2026 Taxpayers

Beginning with tax year 2026, new provisions under the One Big Beautiful Bill Act (OBBBA), passed in July, will adjust how charitable giving is treated for tax purposes.

For example, the first 0.5% of a taxpayer's adjusted gross income contributed to charity will not be deductible, and for those in the top 37% tax bracket, charitable deductions will offset income at a 35% rate. In addition, taxpayers who do not itemize may deduct up to \$1,000 of cash gifts to certain qualified organizations (\$2,000 if filing jointly).



### Supporting Your Favorite Charities is a Slam Dunk

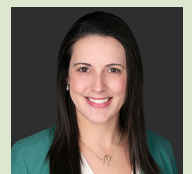
At the Lehigh Valley Community Foundation (LVCF), we believe that many donors will continue to support their favorite charities because their hearts are prompting them to give, but we also know that many donors want to find ways to continue to lower their tax bill through charitable giving. The Community Foundation helps philanthropically-minded people with tax planning strategies for charitable giving in a number of ways.giving in a number of impactful ways.

### A Solid Game Plan | Bunching or Lumping

Donation bunching, lumping or stacking remain common terms. This is the concept of making a significant donation to a donor-advised fund in one year to increase the tax benefit of charitable giving and then deferring the granting of dollars over a period of time. It is a win-win for both the donor and the charities that will ultimately receive the grants.

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## Bunching or Lumping (Continued)

Establishing a donor-advised fund at LVCF is very simple. There are no set-up fees and no limit to the number of grants that can be made from a fund. Also, the flexibility of a donor-advised fund allows grants to be made to charities that are small or large or that vary in type, such as food banks, hospitals, colleges, churches or synagogues, animal shelters or sports organizations, to name a few.

## Donating Appreciated Securities | A Win-Win

Gifts of appreciated securities continue to be beneficial for donors to help boost contributions for purposes of itemizing deductions and to avoid tax on capital gains if the donor sells the highly appreciated securities. A gift of appreciated securities can be made to any existing fund of the Foundation or used to establish a new fund.



When directed to a donor-advised fund, specifically, it also offers the ease of turning one gift at LVCF into grants to multiple charities. This eliminates the need to calculate share amounts for each of the charities or manage separate transfer instructions and forms.

## QCDs can be a Game-Changer

Qualified charitable distributions (QCD) are especially valuable under today's tax landscape, as the new legislation introduces an enhanced senior deduction with income-based phaseouts—making strategic charitable giving an even more effective way to manage taxable income.

The IRA QCD provides a way for donors 70 ½ and older to receive a tax benefit for their generosity. It is beneficial regardless of the ability to itemize or not because the QCD will not be included in adjusted gross income and is therefore not subject to tax.

A donor can make a QCD of up to \$111,000 annually to a charity (\$222,000 for married couples filing jointly), and for donors subject to required minimum distributions, a QCD can also be used to satisfy that requirement. The QCD can be made to any type of fund of the Foundation except for a donor-advised fund.



While the law does not allow QCDs to donor-advised funds, many donors have found it beneficial to use the QCD to create a designated fund. The main difference between a designated fund and a donor-advised fund is that grantmaking from a designated fund is determined at the time the fund is established and does not provide the flexibility of changing the charities to receive the grants.

The set grantmaking is not a challenge for many donors because they already have an established plan for supporting their favorite charities which then becomes the plan for grantmaking from the designated fund.

## As Always, We are Here to Help | Everyone Wins

Just like the like the winning basketball teams during March Madness, there isn't much of a break before starting to plan for the next season. LVCF can help develop charitable giving plans to ensure that everyone wins in the Lehigh Valley.

