

Tax Deductions for Charitable Gifts

Clients give to charitable organizations because they support their mission or have a personal affinity to the organization. The corresponding income tax deduction is an additional benefit.



The income tax deduction available for a charitable gift depends on type of gift given and whether the client has ordinary income in a given year.

Tax Treatment of Charitable Gifts

Gift	Adjusted Gross Income (AGI) Deduction Limit	Asset Valuation
Cash	60% 50% on January 1, 2026	Cash Amount
Long-term securities and real estate	30%	Fair Market Value (FMV)
Short-term securities and real estate holdings	50%	Cost Basis
Ordinary income property	50%	Cost Basis
Personal property	Related Use – 30% Unrelated – 50%	Fair Market Value (FMV) Lesser of FMV or cost basis

Donor-advised funds, private foundations and supporting organizations have their own set of rules when it comes their deductibility. The chart below outlines the differences between the three giving methods, the tax deductions available and when to potentially use each giving vehicle.

Donor-advised funds, private foundations and supporting organizations

	Donor-advised funds	Private foundation	Supporting organizations
Structure	Written agreement between charity and donor	Corporation or trust	Corporation or trust
Cost to Establish	\$0-500, depending on charity	Significant legal and accounting fees	Significant legal and accounting fees
Cost to run	Flat fee	Annual administrative and operating expenses	Annual administrative and operating expenses
Minimum Donation	Approximately \$10,000, depending on charity	Approximately \$1-2 Million	Approximately \$1-2 Million
Donor's Deduction Limit as a percentage of AGI	Cash: 60% Appreciated assets: 30%	Cash: 30% Appreciated assets: 20%	Cash: 60% Appreciated assets: 30%
Five-year carryover	Yes	Yes	Yes
When to use	Donor would like some control over how the charitable distribution is spent	Wealthy donors not concerned about overhead costs who wish to create a permanent endowment aligned with their own charitable goals	Wealthy donors who are willing to give up some degree of control to avoid the restriction imposed on a private foundation

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