

Key Provisions of HR 1 aka the One Big Beautiful Bill (OBBBB) and Charitable Gift Planning

St. Paul's Lutheran Church
2025



Matthew 22:21

“.....Then render to
Caesar things that are
Caesar's and to God the
things that are God's.”



Special Deduction for Charitable Contributions Made by Non-Itemizers

- The OBDD provides a special “above the line” charitable deduction for donations made by taxpayers who do not itemize deductions, i.e. those who take the standard deduction.
- The deduction is limited to \$1,000 for taxpayers who file individual returns and \$2,000 for those who file jointly.
- This new deduction is available for tax years that begin in 2026 and thereafter.



Standard Deductions & Exemptions in Effect for 2016

Filing Status	Standard Deduction	Exemptions at \$4,050
Individual Return	\$6,300	\$4,050
Joint Return	\$12,600	\$8,100
Head of Household	\$9,300	\$4,050
Dependents	\$-0-	\$4,050 Each

For those 65 or older, the standard deduction was increased by \$1,550 on an individual return or \$1,250 per taxpayer on a joint return.



HR 1 of 2025 aka One Big Beautiful Bill (OBBB)-Deductions

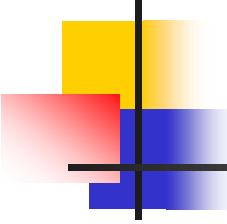
- Standard Deduction is \$15,750 for individual returns and \$31,500 for joint returns regardless of age.
- Increase to Standard Deduction for those age 65 or over -- \$2,000 for individual returns and \$1,600 per taxpayer for joint returns.
- Additional Deduction of up to \$6,000 for those taxpayers age 65 or over. This deduction is available for all taxpayers, including those who itemize other deductions.
- Phase-Out of Additional Deduction—The additional \$6,000 deduction is reduced for individual filers with AGI > \$75,000 and joint filers with AGI > \$150,000. The \$6,000 is completely phased-out when AGI reaches \$175,000 for individual filers and \$350,000 for joint filers.



Standard Deduction + Additional Deduction under OBBB (Exemptions No Longer Exist)

Type of Taxpayer(s)	Combined Deductions
Individual filer less than age 65	\$15,750
Individual filer at least age 65 & complete phase-out	\$17,750
Individual filer at least age 65 & partial phase-out	\$17,751 to \$23,749
Individual filer at east age 65 & no phase-out	\$23,750
Joint filers both less than age 65	\$31,500
Joint filers, one at least age 65 & complete phase-out	\$33,100
Joint filers, one at least age 65 & partial phase out	\$33,101 to \$39,099
Joint filers, one at least age 65 & no phase-out	\$39,100
Joint filers, both at least age 65 & complete phase-out	\$34,700
Joint filers, both at least age 65 & partial phase-out	\$34,701 to \$46,699
Joint filers, both at least age 65 & no phase-out	\$46,700

Increase in Child Tax Credit Under OBBA

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- The maximum amount of the child tax credit is increased from \$2,000 to \$2,200.
 - The increase is effective for 2025 through 2028. After 2028, the maximum credit is scheduled to revert back to \$2,000.
 - To qualify for this credit, the child must be less than 17 years of age at the end of the applicable tax year.
 - The child tax credit was \$1,000 per qualifying child in 2016.

Limit on Itemized Deductions for State and Local Taxes (SALT) Under OBBA



- The limit on the amount that taxpayers who itemize can deduct for state and local taxes is increased from \$10,000 to \$40,000.
- The increase is effective for 2025 through 2029.
- Examples of the taxes to which the limit applies are Indiana income tax, county income tax, real estate taxes, and auto excise taxes.



Federal Income Tax Brackets for 2016 Taxable Income

Rate	Single	Joint	H of H
10%	\$0 to \$9,275	\$0 to \$18,550	\$0 to \$13,250
15%	\$9,276 to \$37,650	\$18,551 to \$75,300	\$13,251 to \$50,400
25%	\$37,651 to \$91,150	\$75,301 to \$151,900	\$50,401 to \$130,150
28%	\$91,151 to \$190,150	\$151,901 to \$ 231,450	\$130,151 to \$210,800
33%	\$190,151 to \$413,350	\$231,451 to \$413,350	\$210,801 to \$413,350
35%	\$413,351 to \$415,050	\$413,351 to \$466,950	\$413,351 to \$ 441,000
39.6%	Over \$415,050	Over \$466,950	Over \$441,000



Federal Income Tax Brackets for Taxable Income Under OBBS

Rate	Single	Joint	H of H
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$ 394,600	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$ 626,350
37%	Over \$626,350	Over \$751,600	Over \$626,350



Federal Income Tax Illustration-Joint Return, Taxpayers <65, 2 Children <17

Description	Tax Year 2016	Tax Year 2025
Adjusted Gross Income	\$75,000	\$75,000
Standard Deduction	(\$12,600)	(\$31,500)
Exemptions	<u>(\$16,200)</u>	<u>\$-0-</u>
Taxable Income	\$46,200	\$43,500
Federal Income Tax	\$6,003	\$4,743
Child Tax Credit	<u>(\$2,000)</u>	<u>(\$4,400)</u>
Tax Due	\$4,003	\$343

Exemptions were eliminated for tax years that began after December 31, 2016.



Federal Income Tax Illustration-Joint Return, Taxpayers >65

Description	Tax Year 2016	Tax Year 2025
Adjusted Gross Income	\$90,000	\$90,000
Standard Deduction	(\$15,100)	(\$46,700)
Exemptions	<u>(\$8,100)</u>	<u>\$-0-</u>
Taxable Income	\$66,800	\$46,700
Federal Income Tax	\$9,093	\$4,719

Exemptions were eliminated for tax years that began after December 31, 2016.

Careful Planning Can Enable You To Do More for Ministry





Lifetime Charitable Gift Planning

(Immediate Ways to Give and Save on Taxes Now)

- **Outright Gift of Cash.**
- **Qualified Charitable Distribution from an IRA.**
- **Outright Gift of Appreciated Long-Term Capital Gain Property.**
 - Securities, Real Estate, Etc.
 - Held for More Than One Year.
- **Bargain-Sale.**
 - Asset Sold to Charity for Less Than Market Value.
 - Intent to Make Charitable Donation.



Lifetime Charitable Gift Planning

(More Ways to Give and Save on Taxes Now)

- **Charitable Gift Annuity (CGA).**
- **Pooled Income Fund.**
- **Charitable Remainder Trust (CRT).**
- **Remainder interest in Farm or Personal Residence.**
- **Charitable Lead Trust (CLT).**



Testamentary Charitable Gift Planning

(Good Tools to Help Charities Build Endowments)

- **Bequest to Charity in your Will.**
- **Testamentary Distribution to Charity from your Living Trust.**
- **Making Charity the Beneficiary of Income in Respect of Decedent (IRD) Property.**
 - **IRA.**
 - **Other Tax Qualified Retirement Plan-401k, 403b, etc.**
- **Designating Charity as the Beneficiary of All or Part of Life Insurance Proceeds.**



Traditional IRA-Qualified Charitable Distribution (QCD)

- **Special Rules.** A Direct distribution of up to \$100,000 **from a traditional IRA** to a qualified charity is treated as all or part of the donor's required minimum distribution. The distribution is excluded from the donor's gross income unless the donor made contributions to an IRA after reaching age 70 and 1/2. If such a contribution was made, the donor's exclusion is reduced by the total amount so contributed.
- **Requirements.** To qualify for this special tax treatment:
 - The donor must be at least 70 and 1/2 years of age at the time the distribution is made.
 - The distribution must be made directly from the IRA custodian to a qualified charitable organization.
- **Who Benefits.** Those with the most potential to benefit from such a charitable distribution are:
 - Taxpayers who take the standard deduction rather than itemizing.
 - Taxpayers who will have other sources of income, such as social security benefits, taxed more heavily or see deductions or exemptions reduced if they receive all of their required minimum distribution.



Thought for the Day

"September, one of the peculiarly dangerous months to speculate in stocks; the others are January, February, March, April, May, June, July, August, October, November and December."

--Mark Twain



The Lutheran Church-Missouri Synod Foundation

- The LCMS Foundation is actively involved in working with donors to help establish charitable gift plans that benefit LCMS congregations and organizations.
- The Foundation is involved with a wide range of charitable gift planning, including bequests in wills, charitable gift annuities, a pooled income fund, and charitable remainder trusts.
- The Foundation's toll free number is (800) 325-7912.