

Charitable Giving: *The Basics*

April 2026



Buck Patton, CFP®, CPWA®

SVP, Wealth Advisor

Truxton Wealth

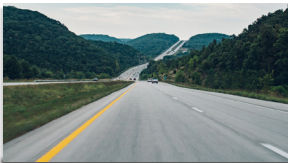
 Email Buck

 Link to Bio

As Tax Day approaches, I wanted to kick-start a series on one element of an individual return – Charitable Giving. According to Giving USATM, US charitable giving was a staggering \$592.5 Billion in 2024. Of that amount, nearly \$392 Billion was given by individuals. How do most people give? According to National Philanthropy Trust, 63% of individuals gave via debit or credit card. But is that the best way to give? As often is the case, the answer is “it depends” ... on the client, their goals, their circumstances, and their tax environment.

Throughout this piece, I’m going to be covering the basics of Charitable and Philanthropic giving. What is the impact on income taxes? How can clients accomplish their charitable goals tax-efficiently? Are there ways to give that are perhaps “more-better” (as Truxton President Derrick Jones sometimes says) than the way in which clients currently give?

Related Content



A Road Trip, A Reroute,
and A Better Plan
by Buck Patton



From Sunset to Strategy:
Navigating the New Tax
Law (OBBBA vs. TCJA)
by Peter Deming, CPA

Definitions and Caveats

First, charitable giving is defined as the voluntary transfer of cash, assets, or time to tax-exempt organizations to support causes like education, health, religion, humanitarian relief, and others. For the purposes of this article, we’re going to disregard the giving of time because, unfortunately, that isn’t tax-deductible.

What is Charity by IRS standards? The IRS defines a charity as an organization, corporation, trust, or foundation operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes. While broad, the most important distinction is that the recipient of your gift must be a qualified tax-exempt organization, which allows the donor to receive tax deductions for donations. IRC Section 501(c)(3) helps define if an organization fits into the IRS definition, and if they do they receive tax-exempt status.

Also, when talking about tax-advantaged ways to give, it’s important to understand whether you are itemizing deductions on your tax return. If you take the standard deduction, there may be less tax benefit, but it

is still helpful to know these concepts, and if you desire to be charitable, it's possible that giving to charity might bump you into the itemizing category. If you itemize, perhaps you are already charitable, and assessing the methods of giving could be helpful. Maybe you itemize some years and take the standard deduction in others – knowing these concepts could be of great benefit! Of course, we always recommend consulting your tax professional, or giving Truxton a call if you have questions – we are happy to help clear things up!

Lastly, thanks to the One Big Beautiful Bill Act (OBBBA), in 2026 and moving forward, there is a new 0.5% of Adjusted Gross Income (AGI) floor that individuals will have to exceed to take a charitable deduction. Keep this in mind if you itemize deductions.

Ok so now – how best to give? What are the options?

I'm going to start off with the "easy" avenues in this piece and discuss cash gifts, asset donations, and Qualified Charitable Distributions from Individual Retirement Accounts (IRAs), and then in a later article we will cover the more complex vehicles such as foundations and trusts.

Let's dive in.

Gifts of Cash

Donations of cash are the simplest way of making a charitable impact. Clients can fulfill charitable wishes or obligations by writing a check, submitting credit card information online, or transferring money from your bank

account or other investment account. For those clients who are charitably inclined, this can be a fast and simple way to give. You receive a charitable deduction, subject to the new 0.5% of AGI floor, and can deduct up to 60% of your AGI for a given year for gifts of cash. This method of giving will generally only provide a tax benefit for itemizing taxpayers, although there is now a \$1,000 deduction for charitable giving on top of the standard deduction.

However, there could be a more beneficial way to give, depending on a client's specific circumstances. Two of the still-easy-but-slightly-more-complex methods are outlined next.

Gifts of Appreciated Assets (Often Stock)

Right off the bat, a gift of appreciated assets is going to do two things for the donor:

1. it fulfills the charitable donation resulting in an itemizable deduction, and
2. it relieves them of a future tax expense associated with selling an appreciated asset and paying the capital gains tax on the realized gain (top tax rate on a stock is 23.8%)

Donations of appreciated securities are a great way to give in a tax-advantaged way. You receive a deduction for the fair market value of the stock given, subject to the same floor, and you also erase a potential capital gains tax in the future. Gifts of appreciated assets/stock can be deducted up to 30% of

your AGI for a given tax year. For example, it would be more beneficial to donate that stock you were gifted by your grandparents than to sell the stock and gift the cash. Even for non-itemizers, this method can still be beneficial because of the capital gains tax avoidance. Note: this is not limited to stock gifting, which is why I've focused on appreciated "assets", but stock is usually the most common appreciated asset to gift to charity.

For both cash gifts and appreciated asset gifts, if the amount of the gift exceeds the deductible amount of your AGI (60% for cash, 30% for assets), the amount exceeding the limit is carried forward for up to five years.

Qualified Charitable Distributions (QDCs)

In the land of retirement accounts, you likely have heard of Required Minimum Distributions (RMDs). These amounts must be withdrawn from an IRA or 401(k) account for clients older than 73 (currently). When money is taken out of a Traditional IRA, it is taxed as ordinary income.

To avoid this recognized ordinary income altogether, a client can do what is called a QCD, whereby they send money directly from the IRA or retirement account to a charitable organization. This may be an excellent way to give for charitably inclined clients.

By doing this, the client is accomplishing three things: giving charitably, satisfying all or a portion of their RMD for the year, and avoiding ordinary income for the amount sent from IRA to charity. Note: there is no deduction

for a QCD because the benefit of giving this way is not realizing the ordinary income in the first place, which benefits both itemizers and those taking the standard deduction. It also means that there is no 0.5% of AGI hurdle.

A couple of prerequisites to QCDs: the beneficiary of the IRA must be at least 70 and a half (70.5) years old, and there is a limit to the amount of QCDs that can be done in one year. For 2026, the maximum QCD is \$111,000. Anything taken above that limit would still be taxed at ordinary rates.

QCDs provide a way to avoid realizing more income and instead redirect those mandatory distributions to a charity. This technique will especially be of assistance to clients taking the standard deduction because it is not a deduction to AGI but a reduction in AGI.

Choosing the Right Giving Strategy

Cash gifts, gifts of appreciated assets or stock, and QCDs are easy ways to accomplish your charitable endeavors, and all will result in a tax benefit of some kind. Knowing which option is most suitable for you is the key. At Truxton, we assist wealthy individuals with these types of questions, so they are getting the most "bang-for-the-buck" when they choose to give. If you have questions or are unsure if you are giving in the most tax-efficient way, stop by our office or give us a call. Stay tuned for Part Two where I'll cover Donor Advised Funds, Foundations, and Charitable Trusts! ■