Keeping Commitments: Navigating the 1% Corporate Giving Floor Notes Partner Call (ACCP, CECP, COF, POL)- August 21, 2025

Policy Overview

- Beginning in 2026, corporations may only deduct total charitable contributions in excess of 1% of taxable income, up to the existing 10% cap. Any amounts over the 10% cap may be carried over to future years for up to 5 years.
- Contributions to U.S. recognized charitable organizations qualify.
- Goods contributed may count toward a corporation's charitable contribution deduction, but services do not.
- Economic uncertainty, including tariff impacts are also being considered in broader financial planning.

Benchmarking and Industry Trends

- CECP data shows that most companies' Total Community Investments (TCI) currently fall below 1% of pre-tax profit, meaning many will see limited or no charitable deduction under the new rules.
- TCI as a percentage of pre-tax profit differs by industry. CECP data shows that the consumer staples industry had the highest (4%) and the industrial sector had the lowest (.52%). This percentage also varies based on a company's financial performance in that tax year.
- Most companies report that tax deductibility is moderately significant but not a primary driver of giving decisions. Attendees affirmed that corporate giving is rooted in purpose, reputation, and employee engagement, with tax considerations seen as only one factor.
- A poll during the call showed that most attendees are most concerned with how the bill will impact their programs, followed by understanding the legislation and learning peer strategies. 72% of respondents are still evaluating the potential impact on their companies.

Implications for Corporate Giving

- CECP data shows shifting sentiment: more companies now plan to maintain current giving levels, while fewer expect to increase them.
- Some attendees noted their companies may absorb the additional tax burden without cutting investments, while others are considering adjustments.
- Funding predictability may shift. If companies choose to "bunch" or accelerate giving, nonprofit partners could experience uneven, accelerated multi-year, or delayed funding.
- Increased collaboration between finance and CSR teams is reshaping how charitable contributions are evaluated.

Strategies Being Considered

- Some corporations are considering accelerating contributions into 2025 to maximize current deductibility before the 1% floor takes effect.
- Using corporate foundations or donor-advised funds, including non-annual transfers may help smooth funding for charitable organizations.
- Aligning foundation strategies with broader business goals while navigating self-dealing rules.
- Exploring multi-year commitments may provide charitable organizations partners with greater stability considering potential timing shifts.
- Reframing grants and volunteering as employee experience investments, rather than providing a grant and volunteers to a charitable organization. Corporations are considering funding charitable organizations to provide an experience to employees that includes networking, team building, etc. and to simultaneously allow them to accomplish their social impact goals.
- Expense classifications are being reviewed to confirm the correct distinction between charitable contributions and ordinary and necessary business expenses.
- Giving to "friends of" organizations may offer opportunities for international giving.

Looking Ahead

- Engage Finance and Tax colleagues now to scenario-plan and assess potential impacts for your corporation.
- Communicate transparently with charitable organizations about possible timing shifts to help with planning and stability.
- Reinforce the broader value of giving. While tax treatment may affect timing, companies consistently emphasized that their commitment to community investment remains grounded in purpose.

To obtain slides shared during the call, please contact:

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