# The Shifting Landscape of Charitable Giving

## How the New Tax Policy Will Reshape Fundraising

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# Why This Matters Now

**This is not a temporary fluctuation. It is a structural shift.**

- New federal tax policy is changing who gives, how much they give, and why they give. For nonprofits, this moment requires strategic attention — not crisis management, but deliberate adaptation.
- Early research estimates a $5.7 billion annual decline in total charitable giving — even as donor participation grows. The policy technically takes effect in 2026, but organizations will begin feeling the impact now.
- The organizations that read this shift correctly and act on it will emerge stronger. Those that wait will find themselves reacting to a changed landscape with fewer resources.

# The Math Behind the Change

The $5.7B net decline masks a larger $10.08B gross loss — offset only partially by new small-dollar donors.

**$5.7B**

Net annual decline
in total giving

*Chronicle of Philanthropy*

**$10.1B**

Gross decline before
new-donor offset

*Chronicle of Philanthropy*

**35%**

Cap on individual
deductions for high earners

*Forbes*

**1%**

Corporate floor —
no deduction below this

*Bipartisan Policy Center*

## Where the Gross Loss Comes From

| Source | Annual Decline | Share of Total Loss |
|---|---|---|
| Corporations | **$1.55B** | **15.4%** |
| Higher-income / itemizing donors | **$8.53B** | **84.6%** |

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# What Changed — The Four Key Provisions

### Universal Charitable Deduction

For the first time, non-itemizers can deduct charitable gifts. This expands who can benefit from giving — potentially bringing millions of new donors into the market.

### 0.5% AGI Floor for Individuals

Donors only receive a tax benefit for contributions above 0.5% of adjusted gross income. This reduces the tax incentive for smaller or more casual deductible gifts.

### 35% Cap on Deductions

High-income donors now receive a smaller tax benefit per dollar donated. This makes giving less financially rewarding at the top and shifts how major donors make philanthropic decisions.

### 1% Corporate Giving Floor

Corporations receive no deduction on the first 1% of taxable income donated. This directly impacts companies whose philanthropic giving historically fell below that threshold.

# How Donor Behavior Will Shift

### More Small-Dollar Donors — But Not a Replacement

Participation rises as the universal deduction opens giving to non-itemizers. However, smaller gifts require more infrastructure to steward and cannot replace the financial weight of major gifts.

### Major Donors Become More Strategic and Selective

High-capacity donors will apply more scrutiny — bunching gifts across years, shifting to appreciated assets, and prioritizing organizations where they have a trusted relationship.

### Corporate Giving Consolidates Around Fewer Partners

The 1% floor changes the calculus for corporate philanthropy. Expect more consolidated giving toward fewer, thoroughly vetted partners — with higher ROI and reporting expectations.

### Competition for Philanthropic Dollars Intensifies

As total giving declines, more nonprofits compete for a smaller pool. Organizations with clear differentiation, mission resonance, and strong retention systems will have the advantage.

# Corporate Giving at Risk — A Closer Look

## Corporate philanthropy faces the most immediate and measurable impact.

Under the prior rule, every dollar of corporate giving produced a tax benefit (up to 10% of taxable income). The new 1% floor means companies receive no deduction on the first portion of their giving — changing the financial logic of corporate philanthropy entirely.

Most corporations without a foundation arm historically give below 1% of taxable income. Among Fortune 100 companies, median giving was only slightly above 1% — meaning a large share of existing corporate donations may now fall entirely below the threshold for any tax benefit.

### Three Likely Outcomes

- Fewer gifts from companies already giving below the 1% floor
- Consolidation — remaining giving concentrates on a smaller, vetted partner set
- Higher expectations: ROI proof, brand alignment, and measurable impact reporting

### Before vs. After

**Before:** Every dollar gave a tax benefit up to 10% of taxable income

**After:** No deduction at all on the first 1% — then benefit applies only above that floor

**Result:** Companies below 1% lose all tax incentive; those above 1% see reduced benefit

# The Limits of Small-Dollar Growth

**Expanded access is real — but participation is not the same as revenue.** The universal deduction will bring new donors into the market. That is a genuine opportunity for long-term pipeline development.

**Small-dollar donors present infrastructure challenges.** They give less per contribution, are harder to retain without automation, and require CRM systems and stewardship workflows that many organizations do not yet have.

**The math does not add up without major giving.** Replacing $50,000 in lost corporate revenue with small-dollar donors at $50–$100 each requires 500–1,000 new donors. That is a different kind of fundraising operation.

### The Core Tension

**Participation ≠ Replacement.**

Broader engagement builds community and pipeline — but the financial weight of major donors and corporate contributors cannot be replaced by volume alone.

**A successful response requires both.**

# Major Donors Are Becoming More Strategic

### Bunching Gifts Across Years

To exceed the AGI floor, major donors may consolidate gifts that once came annually into single, larger gifts every two or three years. What looks like lapse may be strategic timing.

### Shifting to Appreciated Assets

Gifts of stock, real estate, and other appreciated assets optimize tax outcomes and may be preferred over cash. Nonprofits must be equipped operationally to accept them.

### Deepening Relationship Requirements

Major donors will apply more scrutiny — prioritizing organizations where they have trust in the leadership, confidence in financial management, and evidence of real impact.

### Expecting Personalized Engagement

Generic annual fund appeals will not move high-capacity donors. They expect a personalized case for support connecting their gift to specific, measurable outcomes.

# Foundations — A Relative Stabilizing Force

**Foundation giving is structurally less sensitive to these specific tax changes.**

Foundations operate under mandatory payout requirements and strategic grantmaking frameworks — not personal tax incentives. This insulates them from the most immediate disruptions affecting individual and corporate donors.

### Stable Payout Requirements

Foundation distribution requirements remain unchanged by the new law. Strategic grantmaking is expected to continue — and may increase as foundations respond to projected declines in total giving.

### Strategic Relief Opportunity

Some foundations may actively increase support to mission-aligned nonprofits as a counterbalance to corporate and individual giving reductions, creating a window for proactive outreach.

### Relationship as Competitive Advantage

Organizations that have invested in foundation relationships now — with impact data, trusted leadership, and consistent communication — will hold a meaningful advantage as competition for institutional funding intensifies.

# Where Organizations Are Exposed

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# Four Areas of Organizational Exposure

### Heavy Corporate Dependence

Organizations reliant on corporate sponsorships face direct and immediate risk. If your sponsors give below the 1% floor, the financial calculus for their giving has fundamentally changed.

### Concentrated Major Donor Risk

A small number of high-capacity donors providing most of your revenue creates fragility. As those donors become more strategic and selective, concentration becomes a liability.

### Overreliance on Predictable Annual Gifts

Year-over-year giving patterns will shift as donors bunch contributions or restructure. What appears to be lapse may be timing — but only organizations with good data will know the difference.

### Weak Donor Retention Infrastructure

Lack of stewardship infrastructure — CRM, touch-point workflows, lapse tracking — organizations cannot identify at-risk donors or re-engage lapsed ones before they are lost.

# Are You at Risk? A Quick Self-Assessment

If you answer yes to two or more of these questions, your organization has meaningful exposure to the shift.

- [ ] More than 30% of our revenue comes from corporate sponsors or partners.
- [ ] Our top 3–5 donors account for more than 50% of individual giving.
- [ ] We do not have a formal system for tracking lapsed donors or re-engagement outreach.
- [ ] Our major donor relationships are held primarily by one or two people on staff.
- [ ] We have not updated our corporate partnership offer or value proposition in the last 2 years.
- [ ] We do not currently have a process for accepting gifts of appreciated assets (stock, real estate).

# Case Study — A Mid-Size Nonprofit Navigates the Shift

### The Organization

**Mid-size environmental nonprofit**
Annual budget: $2.1M
42% revenue from 3 corporate sponsors
28% from 6 major donors
30% from events and small donors
**All 3 corporate sponsors gave below the 1% threshold**

### The Risk

Under the new rules, all three corporate sponsors lose their full tax deduction on their philanthropic giving. Staff model a 30–40% reduction in corporate support in 2026 — a potential $300K+ shortfall.

### The Response

The team audits their donor base using Capacity, Affinity, and Linkage. They identify 12 lapsed mid-level donors with high re-engagement potential and redesign their corporate partnership offers to lead with mission and ROI data rather than tax benefit.

### The Outcome

Within 9 months: 7 of 12 lapsed donors reactivated, two corporate sponsors renew at reduced amounts with new impact reporting frameworks, and one new foundation grant offsets 60% of the projected corporate shortfall.

# How to Respond to the Shift

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# Rebalance Your Revenue Mix

No single donor segment should represent more than 30–40% of total revenue. Organizations with concentrated revenue are the most vulnerable to this shift.

### Assess Your Current Mix

Map your revenue by source — corporate, major individual, mid-level, small-dollar, foundation, events. Identify which sources are most exposed to the new tax provisions.

### Expand Individual Giving

Build a mid-level donor program ($1,000–$4,999) as a bridge between small-dollar and major giving. This segment is most likely to grow from the universal deduction and is often underdeveloped.

### Strengthen Foundation Pipeline

Foundation giving is structurally more stable under these changes. Prioritize relationship-building and impact reporting with foundations aligned to your mission — before the competition for their grants intensifies.

### Redesign Corporate Partnerships

Lead with mission alignment and measurable business value — not tax benefit. Offer tiered partnership packages with clear deliverables. Companies that continue giving will expect a more formal ROI conversation.

# Strengthen Donor Relationships

In a more selective giving environment, the quality of donor relationships becomes a primary competitive advantage.

### Identify Donors by Capacity, Affinity & Linkage

Before outreach, prioritize using these three lenses. Capacity is what they can give. Affinity is how connected they are to the mission. Linkage is who has the best relationship to make the ask.

### Steward Before You Solicit

Donors in a more selective giving environment respond to evidence of impact before they respond to appeals. Share updates, invite them behind the scenes, and acknowledge their past support specifically.

### Board as Relationship Carriers

100% board giving participation signals organizational credibility. Beyond giving, board members are the highest-leverage connectors — opening doors that staff cannot open alone.

### Retain Before You Acquire

Re-engaging a lapsed donor costs a fraction of acquiring a new one. Prioritize retention and re-engagement systematically — not as a one-time campaign, but as an ongoing practice.

# Build the Infrastructure to Sustain Growth

Organizations that adapt now will do so through systems — not just strategy. The infrastructure decisions you make in the next 12 months will determine your capacity to respond.

**01**

### Donor Data & CRM

Implement or optimize a CRM to track donor segments, giving history, touch points, and lapse risk. You cannot manage what you cannot measure.

**02**

### Stewardship Workflows

Build automated and personal touch-point sequences by donor segment. Donors who feel seen give more and stay longer — but this requires systems, not just intentions.

**03**

### Gift Acceptance Policies

Update your policies and operations to accept appreciated assets — stock, real estate, DAF grants. Major donors shifting away from cash need you to be ready.

**04**

### Revenue Dashboard

Track your revenue mix by segment quarterly. A live view of concentration, retention rates, and pipeline health allows leadership to make proactive decisions, not reactive ones.

# 12-to-18-Month Action Plan

**Now – 3 Months**

- Audit revenue by donor segment — identify where your exposure is greatest
- Model the financial impact of losing 20–40% of corporate support
- Identify lapsed and at-risk donors using Capacity, Affinity, Linkage
- Launch targeted re-engagement outreach to highest-priority past donors

**3 – 9 Months**

- Redesign corporate partnership offers with ROI and mission-alignment framing
- Expand individual mid-level donor program to bridge small and major giving
- Open or deepen foundation relationships with impact-first proposals

**9 – 18 Months**

- Implement CRM with retention tracking, lapse alerts, and stewardship workflows
- Update gift acceptance policies to include appreciated assets and DAF grants
- Build board giving to 100% participation — engage board as major donor cultivators

# Top Recommendations

## Key recommendations flowing from this session:

### 01 Audit Your Revenue Exposure

Map your revenue by donor segment and model the financial impact if corporate or major-donor giving declines 20–40%. Know your risk before it arrives.

### 02 Rebalance Before the Shift Peaks

Reduce concentration in any single donor segment to below 30–40% of total revenue. Strengthen mid-level individual giving and foundation pipelines now.

### 03 Deepen Donor Relationships Systematically

Apply Capacity, Affinity, and Linkage to prioritize outreach. Re-engage lapsed donors and ensure your board is active as a relationship and cultivation asset.

### 04 Build the Infrastructure to Sustain Growth

Implement CRM with retention tracking, update gift acceptance policies for appreciated assets, and establish a live revenue dashboard for leadership visibility.

# Adapt Now to Lead Through the Shift

The organizations that recognize this moment as an opportunity — and act on it — will emerge with more resilient, diversified, and mission-aligned fundraising.

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### How Stronger Consulting Can Help

We partner with nonprofits to develop major donor strategy, redesign corporate partnership framework, strengthen foundation pipelines, and help build the necessary fundraising infrastructure.

Scan to complete our post-session survey

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