

# 2026 Tax Strategy Prep Guide

What the One Big Beautiful Bill Act means for your nonprofit (and how to brief your board without a headache).

## Inside this guide:

**Plain-English breakdown** of the new charitable deduction rules

**Board + ED talking points** (so you sound confident, not cryptic)

**Finance checklist** for receipting, reporting, and compliance [Page 1](#)

**Compensation excise tax** quick screen (IRC 4960) for larger orgs

**Who this is for:** Executive Directors, board treasurers, finance leaders, and development teams who want a clear plan for 2026.

**Important:** This guide is for general education. It is not legal or tax advice. Your organization (and your donors) should consult a qualified tax professional for advice specific to your situation.

Prepared by **Financial Affairs** (nonprofit accounting & reporting).

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## 1) Quick summary: what changed in 2026

The One Big Beautiful Bill Act (OBBBA), enacted in 2025, resets key charitable giving rules beginning in 2026. Here are the provisions you're most likely to hear about from donors and board members.

**Above-the-line charitable deduction for non-itemizers:** up to **\$1,000 (single)** or **\$2,000 (joint)**. Page 2

**New AGI floors:** a **0.5% AGI floor** for individual itemizers and a **1% floor** for corporations (only gifts above the floor are deductible).

**Cash gifts limit preserved:** the **60% of AGI** limit for cash gifts to public charities is preserved.

**Cap on the tax benefit for top-bracket itemizers:** itemized deduction benefit is capped at **35 cents per dollar** starting in 2026.

**Expanded IRC Section 4960:** adds a **21% excise tax** on employee compensation over **\$1 million** (and requires reporting on **Form 4720**).

### What this means in the real world (your board version):

- Some donors who don't itemize may have a clearer incentive to give (especially at the small-to-mid level).
- Some donors who do itemize may see a smaller marginal tax benefit, so stewardship and impact clarity matter even more.
- Your receipting, documentation, and reporting processes need to be consistent—because donor questions will be more specific.

**Source notes:** Summary is based on Foundation Source's 2026 Giving Outlook (Nov 2025) and Kindsight's 2026 fundraising statistics update (Nov 2025).

## 2) Board & ED talking points

Use this section to brief your board in under 3 minutes—and to keep donor conversations accurate without drifting into personal tax advice.

### A 60-second board briefing (script)

“In 2026, charitable deduction rules shifted. There’s now an above-the-line deduction that may encourage more small gifts from donors who don’t itemize, while itemizers face new floors and caps that can reduce the marginal tax benefit. For us, the operational takeaway is simple: we’ll tighten receipting and documentation, keep reporting board-ready, and make sure our donor communications stay clear and consistent. If donors ask for personal tax advice, we’ll encourage them to talk to their tax professional.”

### Donor FAQ (what you can say safely)

| Donor question                                   | Suggested response (non-technical)  |
|--|---|
| “Can I deduct my gift if I don’t itemize?”       | “There is an above-the-line deduction in 2026 that may apply to non-itemizers. We recommend confirming details with your tax advisor. We’ll provide a complete receipt for your records.” |
| “Does this change how much I should give?”       | “Giving decisions are personal. Our role is to be a great steward and show impact clearly. Your tax professional can help you understand how the new rules apply to you.”                 |
| “Do you track restricted vs unrestricted gifts?” | “Yes. We track and report restrictions so you can feel confident your gift is used as intended—and we can show outcomes tied to your support.”  |

### Board homework (simple but powerful)

- Ask for a quarterly “donor-ready financial story” (1 page: money in, money out, outcomes, what’s next).
- Review the gift acceptance policy and make sure it’s current (especially for noncash gifts).
- Confirm who owns receipting and when donors receive documentation.

### 3) 30-60-90 day tax-season readiness checklist

This is the part you can actually implement. Start with the left column and you'll be ahead of most nonprofits by mid-year.

| Area                                      | 30 Days  | 60 Days  | 90 Days  |
|---|--|--|--|
| Receipting & documentation                | <input type="checkbox"/> Confirm receipt templates<br><input type="checkbox"/> Set a 48-hour receipt goal<br><input type="checkbox"/> Define who handles corrections | <input type="checkbox"/> Add year-to-date giving totals in donor summaries (if appropriate)<br><input type="checkbox"/> Verify acknowledgement language for restricted gifts | <input type="checkbox"/> Run a quarterly "receipt audit" (random sample)           |
| GL coding & restrictions                  | <input type="checkbox"/> Confirm fund/class structure supports donor restrictions<br><input type="checkbox"/> Align CRM designations to GL accounts                  | <input type="checkbox"/> Create a reconciliation routine (CRM totals -> bank deposits -> GL)   | <input type="checkbox"/> Build a simple "funds released" summary for board packets |
| Board reporting                           | <input type="checkbox"/> Add tax-change briefing to Feb/Mar agenda   | <input type="checkbox"/> Add a 1-page finance + impact snapshot to board packets   | <input type="checkbox"/> Train board leaders on donor FAQ responses                |
| Compensation & compliance (if applicable) | <input type="checkbox"/> Identify any employees near \$1M comp (incl. related entities)  | <input type="checkbox"/> Confirm who reviews 4960 exposure and Form 4720 needs   | <input type="checkbox"/> Document decisions in minutes / governance files          |

Tip: If your team is small, don't try to do all of this at once. Pick one "trust builder" this month: faster receipts, cleaner coding, or a one-page board update.

## 4) Compensation excise tax (IRC 4960): quick screen

This section matters most for larger nonprofits (or those with related entities). If nobody is near \$1M in compensation, you can skim—but you still want to know it exists.

### What changed

OBBBA expands IRC Section 4960 by adding a 21% excise tax on employee compensation over \$1 million within exempt organizations, affects related entities, and requires reporting on Form 4720.

### Your practical next steps

- Identify “covered employees” and anyone close to the threshold (include related organizations).
- Coordinate finance + payroll + HR so everyone is using the same definitions for compensation and timing.
- Document the review in your annual governance/compliance checklist (even if the answer is “not applicable”).
- If exposure is possible, engage your CPA early so Form 4720 planning isn’t a last-minute scramble.

If you want the boring-but-useful version of this advice: the earlier you look, the easier it is. Taxes are like glitter—if you wait until the last minute, they somehow end up everywhere.

**Want help implementing this?** Financial Affairs supports Texas nonprofits with bookkeeping, reporting, and board-ready financial systems so you can lead with clarity all year.