Charitable Giving, Itemized Deductions, and the New SALT Cap: How to Maximize Your Tax Savings Before Year-End

By Jacob Linn

The recent increase to the State and Local Tax (SALT) cap has significantly changed how taxpayers evaluate charitable deductions and itemized tax strategies. For the first time in years, individuals who previously defaulted to the standard deduction can now benefit from itemizing again. This shift opens new opportunities for reducing taxable income through charitable giving, donor-advised fund contributions, and year-end tax planning. If you want to understand how to maximize these newly expanded deductions, now is the time to act.

Why the New SALT Cap Matters for Charitable Deductions

Under the updated SALT cap rules, state income taxes and property taxes can now push many taxpayers above the standard deduction threshold. Once your SALT payments lift you into itemization territory, charitable donations begin to generate a far stronger tax benefit than they did in prior years. This is particularly valuable for homeowners with substantial real estate taxes and individuals living in high-tax states.

Taxpayers who previously saw little benefit from charitable giving may now experience meaningful reductions in taxable income simply by reevaluating their year-end contributions. The ability to stack state tax payments with charitable deductions has returned, and that opens the door to strategic planning that has not been available since 2018.

Donor Advised Funds and Appreciated Assets

Donor-advised funds are again becoming a powerful tax planning tool. A contribution to a donor-advised fund allows you to take an immediate tax deduction while spreading charitable gifts to organizations over future years.

How PTE Elections Interact With the New SALT Environment

Pass Through Entity (PTE) tax elections continue to grow in popularity, but many taxpayers misunderstand how these elections affect their personal returns. PTE elections can dramatically reduce federal taxable income, yet they may also influence whether itemizing remains advantageous.

Why You Should Plan Before December 31

There is still time to implement SALT and charitable deduction strategies before year's end, but timing matters. Contributions to donor-advised funds or qualified charities must be made by December 31 to count for this tax year, and SALT payments must also be correctly timed to avoid deductibility issues.

If you want to know whether itemizing is now more valuable than taking the standard deduction, the answer depends entirely on your specific income, charitable goals, and state tax obligations. Strategic Tax Planning can help you evaluate your options and create a year-end plan that protects your hard-earned dollars.