

2026... What's on the Way?

It would be easy to proclaim/prophesy gloom and doom for 2026 – for a bunch of reasons.

But... let's take a different tact!

The “One Big Beautiful Bill Act” (Law) of 2025 brought numerous changes and a lot more math to the U.S. tax arena.

However, there are some truly wonderful opportunities built into the “OBBBA” and other recent regulations that we need to dive into.

Form 1099-NEC reporting threshold

The One Big Beautiful Bill Act (OBBBA) raised the reporting threshold for Form 1099-NEC, which is used to report nonemployee compensation, from \$600 to \$2,000 starting in 2026. This change aims to reduce the compliance burden for businesses and individuals who make such payments. This could be an excellent opportunity to reduce bureaucracy, effort, and costs for “our size” institutions.

Above-the-line Charitable Deduction (\$2,000!)

The One Big Beautiful Bill Act (OBBBA) allows individual donors who are “non-itemizers” to deduct up to \$2,000 cash donations to charity if they are married filing jointly (individual filers = \$1,000), starting in the 2026 tax year. This deduction is considered an above-the-line deduction, meaning it reduces taxable income before calculating adjusted gross income (AGI).

Workforce Pell Grants

The Workforce Pell Grant, established under the One Big Beautiful Bill Act (OBBBA), expands Pell Grant eligibility to include short-term workforce training programs, allowing students to receive financial aid for programs that last between 8 and 15 weeks and provide at least 150 clock hours of instruction. This initiative aims to support students pursuing high-skill, high-wage careers and is set to be implemented on July 1, 2026.

To receive a Workforce Pell Grant, a student must:

- Meet normal Pell eligibility (e.g., financial need, undergrad level)
- Be enrolled in an eligible workforce program—short-term, non-degree, accredited
- Not simultaneously receive a traditional Pell Grant or a TEACH Grant

The initial annual maximum for Workforce Pell Grants (2026-27) is yet to be determined (it would appear to equal the traditional Pell amounts which were \$7,395 2024–2025).

However, currently...

The U.S. Department of Education, in partnership with representatives of those affected by the regulations, must write the rules that determine how the law will actually work — like what programs qualify and how they'll decide whether students and employers truly benefit. This rulemaking process will shape how the program operates for years to come. That's why advocates' voices are essential right now: to make sure the final rules reflect the needs of working people, employers, and communities in every state — and to ensure that Workforce Pell is a springboard for complementary policies that strengthen local economies and expand shared prosperity. *[from National Skills Coalition.]*

Token Exception – one of our all-time favorites, here's a next twist on the interpretation for 2026...

The deductible amount for “insubstantial benefits to donors” for 2026 was increased by 30 cents to \$13.90. Remember, this is COST to the institution rather than fair market value.

To paraphrase IRS Publication 1771 (for 2025):

Token Exception — Insubstantial goods or services a charitable organization provides in exchange for contributions do not have to be described in the acknowledgment. Goods and services are considered to be insubstantial if the payment occurs in the context of a fund-raising campaign in which a charitable organization informs the donor of the amount of the contribution that is a deductible contribution.

Small Gift Exception

Token items with the name or logo of the charity valued at less than 2% of the gift may be transferred to donors who make gifts up to \$69.50.

Mid-sized Gift Exception

Token items with the name or logo of the charity valued up to \$13.90 may be transferred to donors who make gifts between over \$69.50 and \$695.

Large Gift Exception

Token items with the name or logo of the charity valued at less than 2% of the gift may be transferred to donors who make gifts from over \$695 to \$6,950.

Very Large Gift Exception

For donors who make very large gifts, a token benefit of up to 2% of the gift value may be given up to a maximum of \$139.