

POLICY *focus*

RECIPES FOR RATIONAL GOVERNMENT

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Giving in the USA

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What You Need to Know

Americans are the most charitable people on Earth. We gave away \$428 billion in 2018 to various charities and causes, from religious institutions to animal rights organizations. This does not even include giving spare change to the homeless, dropping dollars in red kettles and gifts to crowdfunding websites.

Private charitable giving is a part of the American fabric. It's an exercise of our First Amendment rights of speech, association, and worship. Capitalism has made our nation prosperous, and private giving allows us to voluntarily share this prosperity with others by supporting the causes we believe in. This contrasts with taxation, which is not optional and sometimes goes to support policies or causes we find objectionable.

From our founding, Americans have been inspired to come together to address problems in our communities, country, and worldwide rather than waiting for government to fix them. The individuals and organizations closest to problems are more efficient, effective, and agile in addressing problems than centralized government bureaucracies far away.

Private giving has become a target for greater government control in recent years. Some policymakers seek to re-engineer charitable giving and direct it to their preferred causes or away from causes they consider unacceptable. Government is also always hungry for new revenue sources. Increased taxation on charitable dollars and forced disclosure of donor information are both threats to our culture of giving.

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Philanthropic freedom demands that our right and ability to give be protected. Without this freedom, our civil society will not flourish, and the lives it helps will be at risk.

Why You Should Care

Philanthropy, or charitable giving, is not just about big foundations and wealthy people donating large sums, but also regular Americans who give of their hard-earned income and savings to improve the lives of others. The impacts of big gifts and small donations in the collection plate are impressive.

Charitable giving spurs life-saving innovation, ensures that no one in society is left behind, and enriches every aspect of society. Private philanthropy also supports minority or unpopular causes that secure freedoms, rights, and prosperity for all Americans. Policymakers who lack an appreciation for the benefits of private giving seek to control the resources that power the charitable sector in ways that will discourage giving and limit our freedom to give.

- Forced disclosure of private donor information undermines the anonymity that donors rely on and discourages broad-based civic participation. Donor disclosure laws open the door to retaliation against donors of political opponents or unpopular causes.
 - Limiting the charitable deduction or limiting the deduction only to certain causes could discourage some charitable giving and hurt causes.
 - Wealth taxes would drain the charitable sector of needed resources.
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Charitable Giving in the U.S.

By the Numbers

Americans gave \$428 billion in 2018, down 1.1 percent from 2017 according to the 2019 Giving USA report. We are the most generous people on Earth, giving nearly **1.5 percent** of our gross domestic product to charity. That is twice as generous as Canada, which ranks second globally, and three times or more generous than other developed nations.

Two out of three American households donate to charity in a given year giving an average of 4 percent of their income (\$2,650).

Individuals comprise the majority of national giving donating \$292 billion or 68 percent of all donations. In 2018, giving by individuals declined 3.4 percent from 2017 and fell below 70 percent of total giving for the first time in over 50 years.

The nation's 86,000 foundations, which control nearly \$870 billion in assets, gave \$76 billion (or 18 percent) of all giving. Bequests—cash given by individuals through a will—totaled \$40 billion (9 percent), and corporations gave a total of \$20 billion or approximately 5 percent of all giving.

Demographically we find that marriage, education, income level, political affiliation and religion are all factors correlated to giving and higher levels of giving.

Married people are **1.6 times** more likely to give to charity than single Americans, and college-educated Americans are 1.5 times more likely to give to charity than those with no bachelor's degree.

High-earning Americans are most likely to give (**93 percent do**) and give the most in absolute dollars, but low-income Americans, when they give, give greater proportions of their incomes (12 percent versus 2 percent).

Religion and religiosity are the most significant factors in individual giving. Many modest-income families are religious and tithe (meaning they consistently donate 10 percent or more of their income), which partly explains why they give more. People who attend religious services twice a month or more give **over four times** as much as those who never attend religious services. Religious organizations (churches, ministries, houses of worship, etc.) are the biggest recipient of private giving. Nearly a third of the \$428 billion given in 2018 (\$125 billion) was religious.

When it comes to politics, “conservative” households give **30 percent** more than liberal households, even though their incomes are six percent lower on average.

Historical Accomplishments

The impact of charitable giving can be measured not just in dollars, but also in lives saved and society changed.

In the field of medicine, private philanthropy has led to breakthrough advances including the polio vaccine, kidney transplants and dialysis, insulin, and successes in the fight against cancer.

In education, private philanthropy has funded institutions of learning at every level and granted every American access to education.

Private gifts established, protected, and maintained the awe-inspiring natural attractions, ecosystems, and green spaces that we have come to enjoy and rely on. Zoos, forests, preserves, waterways, and the fish, birds and animals that inhabit these spaces are funded by individuals and big foundations.

In public policy and culture, private giving has moved society forward to embrace new people, ideas, and policies. Not only has private giving funded major social movements including abolition and universal suffrage, but it has also reformed government policy: Booker T. Washington secretly funded legal challenges to Jim Crow laws. Gay philanthropy in the 1980s helped to stop the spread of HIV/AIDs. Today private donations are fighting to protect New York City charter schools. Privately-funded think tanks and advocacy groups (like IWF), which develop public policy ideas, sell them to the public, and influence lawmakers to bring about local, state and national systemic changes.

Threats to Our Culture of Giving

Donor Privacy

When some Americans give they want their gifts to be publicly known. Other donors would rather remain anonymous. Anonymity is a critical element of philanthropy. Donors benefit from the freedom to support the organizations and causes they believe in without fear of harassment, retaliation, unwanted solicitations, boycotting and even physical harm. Confidentiality also allows donors to practice their religious teachings, which may encourage or require anonymity for the sake of avoiding pride.

From anti-slavery to Civil Rights to gay rights, donor privacy has always been important for those who fund controversial movements or unpopular causes. While these movements may not be controversial to us today, they were controversial at the time. Donors faced real risks for exercising their constitutional rights. Their privacy needed to be protected. The Supreme Court agreed.

In the 1950s, the State of Alabama sought to compel the National Association for the Advancement of Colored People (NAACP) to reveal the names and addresses of its members if the organization wanted to operate in the state. The NAACP refused, fearful for retaliation against donors.

In the 1958 case *NAACP v. Alabama*, the Supreme Court unanimously ruled that donor privacy was vital to free expression. Despite this landmark decision, some lawmakers are today considering greater donor disclosure, such as making public the private information listed on non-profit tax forms (specifically Schedule B of the IRS 990 form) or donor lists. Currently, a list of all donors is attached to Form 990 for 501(c)(3) organizations, but is not part of public disclosure.

The state of California is demanding that nonprofit organizations turn over their Schedule B forms to the state. Non-profit groups rightfully worry that this information will be leaked and publicized, exposing their donors to mistreatment.

Boycotting, retaliation, harassment, threats of harm and worse would discourage donors from giving to certain causes in the future. In the era of internet and social media, the disclosure of donor names and addresses to unpopular causes and organizations poses an even greater risk.

With reduced funding, these organizations would suffer. While political opponents of unpopular causes might be tempted to cheer this phenomenon, we should keep in mind that what is popular isn't always right and vice versa: Imagine how social movements throughout history like women's suffrage would have fared if their donors had been scared, harassed, or abused into silence.

Tax Policy

Tax policy can encourage Americans to give through tax incentives, such as the charitable deduction and other benefits related to bequeaths and donor-advised funds. These policies do more than just help charities raise money. They cement a bond between the public and private sector while preserving the distinct role for each in society.

The Tax Cuts and Jobs Act (TCJA) of 2017 reduced income taxes for Americans in every tax bracket and did so while preserving the charitable deduction. The TCJA also increased the standard deduction to \$12,000 for singles and \$24,000 for couples (almost double what these figures were before). The Joint Committee on Taxation **estimated** that the number of filers who would itemize deductions (such as the charitable deduction) would fall from 46.5 million in 2017 to just over 18 million in 2018.

Overall giving and giving by individuals fell 1.1 percent from 2017 to 2018. According to IRS data, the number of itemizers fell by about 66 percent (20 million). The amount of charitable deductions claimed declined, but by only 33 percent (\$54 billion), not proportionately. There are different reasons for why this happened. Some taxpayers who formerly itemized likely had lower incomes and didn't have as much charitable giving to itemize.

Obviously, the charitable deduction is not the only reason that people give to charity. Religious Americans who tithe or give do so regardless of the tax benefits. While giving may have fallen, it did not fall as much as expected.

Policymakers should not use this argument to advocate for raising revenue by limiting the charitable deduction, because those taxpayers who are motivated by the tax savings will close their wallets and charities will suffer.

In recent years, there has been criticism of tax incentives for private dollars that go to colleges and universities with big endowments. There have been calls for policymakers to limit the charitable deduction only to human service organizations such as soup kitchens and shelters. This is a dangerous slippery slope that would erode the diversity of the charitable sector starving educational, medical, cultural and social causes that enrich our lives and communities.

Finally, when taxes increase, Americans have less discretionary income to give. Proposals to impose wealth taxes will likely reduce giving.

Crowding Out Philanthropy

When government dollars enter, private dollars leave. A great deal of **literature** on this "crowding out" effect explains that private givers are concerned with the overall level of giving to a cause. If the government provides more aid, donors decrease their giving sometimes dollar-for-dollar because they believe they are giving through taxes.

Private gifts are also crowded out because charities spend less time and effort fundraising. A 2011 **National Bureau of Economic Research paper** finds that for every \$1,000 a government grants to a nonprofit, donations fall by \$757.

It is worrisome when private donors stop giving to a charity because of government involvement. We should always ask what is better suited to solve a problem, a government program or private charity. In many cases, the private charitable sector can be more efficient, effective, agile, responsive, and relational than the government. Many Americans recognize this, and it motivates our culture of giving.

What You Can Do

Get Informed

For more information about this issue visit:

- [The Philanthropy Roundtable](#)
- [Giving USA](#)

Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

CONNECT WITH IWF! FOLLOW US ON:

ABOUT INDEPENDENT WOMEN'S FORUM

Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

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the support
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information and
consider making a
donation to IWF.