What’s Been Happening to Charitable Giving Recently?
A Look at the Data

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As rising budgetary pressures force policymakers to find ways to reduce spending and increase tax revenue, new attention has been given to proposals that reduce or eliminate the income tax deduction for charitable giving. With charities already struggling to meet greater demands with fewer donations as a result of the recession, it is important to understand how such proposals might impact the nonprofit sector.

The first step in this process is to understand the trends in charitable giving and how the current economic turmoil has affected the nonprofit sector—the main topic of an August 2011 roundtable hosted by the Tax Policy and Charities project at the Urban Institute. Twenty-five experts on tax policy and the nonprofit sector convened to discuss past trends in giving, the charitable sector’s current situation, and the possible effects of proposals to modify the charitable deduction.

Trends in Giving: An Overview

Patrick Rooney, executive director of the Center on Philanthropy at Indiana University, kicked off the event by presenting data based on the most recent annual report from the Giving USA Foundation. Total charitable giving remained remarkably steady at about 1.8 percent of GDP between 1973 and 1996 (figure 1). Giving increased in the late 1990s, largely from increased giving by individuals and foundations, and remained at or above 2.2 percent of GDP throughout most of the 2000s. However, the recession caused a significant drop in giving in 2008 and 2009, falling 7.0 percent and 6.2 percent, respectively, in inflation-adjusted dollars.

Giving USA estimates that 2010 saw a slight recovery, with giving going up 2.1 percent in inflation-adjusted dollars. But at that rate, Rooney pointed out, it would take another six years to return to prerecession levels. In comparison, giving had gone up by 3.7 percent on average in the first year following past recessions.

Figure 1. Charitable giving by source as a percentage of GDP, 1970–2010

Source: Presentation by Patrick Rooney based on data from Giving USA 2011.
Looking at different categories of donors reveals more detail about the recession’s impact on giving during the period from 2008 through 2010. Figure 2 shows the percentage point contribution to the change in total giving by each of the four major donor categories.

Figure 2. Contributions to percent change in total giving, 2008–2010

Source: Presentation by Patrick Rooney based on data from Giving USA 2011.

Donations by individuals are the largest source of charitable giving, historically accounting for between 75 and 80 percent of the total. Individual giving fell sharply in 2008, continued to decline in 2009, and is estimated to increase only modestly in 2010. Overall, the level of individual contributions in 2010 will be 14 percent below prerecession levels, according to Giving USA. Standard & Poor’s 500 Index (S&P 500) is the strongest predictor of individual giving, said Rooney, suggesting that wealth plays a big role in whether and how much people give.

Foundations, which now account for 14 percent of total giving, were the most stable donor source during the 2008–2010 period. Total giving by foundations declined by just 3 percent over the three-year period. Because foundation giving is frequently affected by large charitable bequests, it can be difficult to predict accurately. Of course, data on foundation giving needs to be interpreted carefully. The figures reported here represent current year gifts from foundations, which in part reflect earlier giving from other sources, mainly individuals and bequests.

The third-largest source of charitable giving is bequests, making up 8 percent of total giving. Charitable bequests fluctuated considerably—increasing 30 percent in 2008, falling by more than 38 percent in 2009, and rising 17 percent in 2010. Since relatively few large estates account for the majority of bequests, such fluctuations are not uncommon historically and often correlate only modestly over long periods of time with the health of the overall economy and asset valuations.

Corporate giving, which makes up 5 percent of total giving, declined in 2008 but rose nearly 12 percent in 2009. Corporate giving is the only component that is expected to be above its prerecession level in 2010, according to Giving USA.

Individual Giving

As described above, individuals are the largest source of giving and were the most affected by the recession. Approximately 80 percent of individual charitable contributions are reported as itemized deductions on federal tax returns. Consequently, the Internal Revenue Service (IRS) provides the best data source for examining individual charitable giving. IRS data can be supplemented with survey data to get a more complete picture of household giving patterns.

Cash versus Noncash Contributions: Trends

Michael Strudler and Janette Wilson, both from IRS’s Statistics of Income Division (SOI), presented data on the composition of charitable contributions reported on tax returns. Noncash contributions—such as corporate stock, real estate, cars, and clothing—have grown more rapidly than cash contributions since 1988, but have also been more volatile and have fallen more during the most recent recession.

According to Strudler, cash contributions increased from $79 billion in 1988 to a peak of $156 billion in 2006 (figure 3) in 2010 dollars. By comparison, noncash contributions totaled $12 billion in 1988 and peaked twice: once in 2000 at $60 billion and again in 2007 at $62 billion. Not surprisingly, both of those years corresponded to historically high levels for valuations of net worth, particularly equities, relative to national income. From 1988 to their respective peaks, cash contributions grew by 98 percent and noncash contributions grew by 399 percent. Cash contributions fell 13 percent between 2007 and 2009, whereas noncash contributions fell by 47 percent.
Janette Wilson of the IRS took a closer look at noncash contributions reported on Form 8283, which individual taxpayers must file if the value of their noncash donations totals more than $500. Corporate stock donations consistently made up the largest percentage of noncash contributions from 2003 to 2008. In 2007, taxpayers donated $23.7 billion worth of corporate stock, accounting for 45 percent of noncash donations. That amount dropped to $12.3 billion in 2008 but remained the largest category of noncash contributions (36 percent). Clothing donations were the second-highest type of donation, followed by household items and real estate.

Wilson pointed out that the value of vehicle donations claimed on tax returns, which totaled more than $2 billion in 2003 and 2004, fell nearly 80 percent after the American Jobs Creation Act (AJCA) changed how deductions were valued. The AJCA stipulated that if the vehicle was sold by the charity, the taxpayer could only claim the proceeds from the sale, not the book value of the car. The large actual decline in charitable vehicle donations indicates that values had been significantly overstated prior to the law change. Some conference attendees noted that improving compliance may provide additional opportunities to reduce the cost of the charitable deduction.

Wilson also reported on the amount of noncash contributions by the age of the donor. Older people tend to donate the most, the largest amount coming from taxpayers age 65 and above. In 2008, individuals 65 and older donated almost twice as much as the second-highest age category (ages 55 to 64); individuals under 35 gave the least. Aside from an across-the-board decrease, trends in donations by age have remained fairly steady during the recession.

Cash versus Noncash Contributions: A Closer Look at the Change in Giving from 2007–2009

Joseph Rosenberg from the Urban-Brookings Tax Policy Center, using IRS data on itemized charitable contributions, provided a closer look at how individual giving changed between 2007 and 2009. Consistent with Janette Wilson’s data, he found that the drop in giving during this period was primarily due to sharp reductions in noncash donations among high-income taxpayers (figure 4a). For households with income less than $200,000, total contributions fell by just 5 percent. Among higher-income households, those making more than $200,000, total contributions fell nearly 37 percent. For the latter group, cash contributions declined by 20 percent, while noncash donations fell 61 percent.
Rosenberg also looked at contributions as a percentage of adjusted gross income. While the level of contributions fell sharply, cash contributions as a share of income actually increased for both income groups (figure 4b). Noncash contributions from the higher-income group still registered a decline relative to income.

Figure 4a. Cash and noncash contributions, 2007–2009 (billions of current dollars)

Figure 4b. Cash and noncash contributions as a percentage of adjusted gross income, 2007–2009

Source: Presentation by Joseph Rosenberg based on data from the Internal Revenue Service, Statistics of Income Division.

Dynamics of Giving

Mark Wilhelm of Indiana University and Purdue University at Indianapolis presented more detailed information about patterns of individual giving drawn from the Center on Philanthropy Panel Study (COPPS). Since 2001, COPPS has been conducted as part of the biannual Panel Study of Income Dynamics, which asks a representative sample of households detailed questions about employment, income, wealth, and many other topics. Because COPPS surveys households, its findings include donors that do not itemize deductions on their tax returns (a group not included in IRS data).

Both the percentage of households that report donating to religious or charitable organizations and the average amount given have remained fairly constant throughout the past decade. In 2008, 65 percent of households donated to a charity and the average contribution was $1,518. Religious organizations receive the majority of donations, accounting for 60 percent of all reported contributions. However, giving to religious organizations has declined in the past few years, falling 12 percent from a 2004 peak of $992 to $873 in 2008. The average combined donation to secular organizations rose slightly from $606 in 2006 to $645 in 2008.

Since COPPS surveys the same households over time, it can be used to study the frequency of giving over time. Wilhelm presented some preliminary findings on the dynamics of giving by separating households based on how regularly they donate to given causes. For example, households that donated in at least four of the five surveys since 2001 were classified as “regular givers,” whereas those that donated never or just once in the five surveys were treated as “nongivers.” Wilhelm found that roughly 60 percent of households gave regularly and 20 percent rarely or never gave (figure 5). Religious giving was fairly evenly split, with 40 percent giving regularly and 40 percent rarely or never giving. About 50 percent of households gave regularly to secular organizations, while 30 percent did not.

Figure 5. Dynamics of individual giving, 2000–2008

Source: Presentation by Mark Wilhelm based on data from the Center on Philanthropy Panel Study (COPPS).
Charitable Bequests

Although they are few in number, charitable bequests remain a major component of overall giving. For example, in 2008 fewer than 7,200 estates reported more than $28 billion in charitable donations according to IRS data. Brian Raub of IRS's Statistics of Income Division presented data on charitable bequests since 2004. The value of bequests has remained fairly steady from 2004 to 2009, with an unusual peak of $28.7 billion in 2008 (figure 6). Figure 6 shows that the dollar amount of the charitable bequests and the amount as a percentage of the estate follow roughly the same pattern.

Figure 6. Value of charitable bequests reported on estate tax returns, 2004–2009

![Figure 6. Value of charitable bequests reported on estate tax returns, 2004–2009](image)

Source: Presentation by Brian Raub based on data from the Internal Revenue Service, Statistics of Income Division.

The number of estate tax returns with charitable bequests declined from 2004 to 2009, along with the overall filing population, as tax law changes have increased the minimum amount subject to the estate tax. But since larger estates are more likely to leave charitable bequests and account for the majority of giving, the level of giving out of estates reporting to IRS has been little changed. Conference attendees concluded that it is not possible to know from the aggregate data how charitable bequests have been affected by estate tax rates, which have dropped considerably over the last decade. Increases in the valuation of estates and normal growth in income and wealth also affect the total amount given. Aggregate estate tax giving (as well as aggregate income tax giving) could also be affected by growing wealth and income inequality, if it led to larger donations from that higher-wealth portion of the population that tends to donate a higher percentage of income than the population as a whole.

Raub also looked at the recipients of charitable bequests and found that private foundations accounted for the majority of the total value, far outweighing the other categories (figure 7). Educational institutions represented the second largest recipient group, followed by religious institutions and arts/culture organizations.

![Figure 7. Percentage of charitable bequests by type of recipient, estates with $3.5 million or more](image)

Source: Presentation by Brian Raub based on data from the Internal Revenue Service, Statistics of Income Division.

Nonprofit Fundraising Survey

While 2009 and 2010 were tough years for nonprofits, most began 2011 with more optimistic expectations, likely based on hoped-for recovery from the earlier recession. Katie Roeger from the Urban Institute presented findings from the Nonprofit Research Collaborative’s fundraising survey, which found that 2009 was a difficult year for fundraising. Deep into the recession, many organizations were struggling with fewer donations to support greater demand. Many reported cutting programs and staff positions or freezing compensation.

In 2010, about 43 percent of nonprofits saw contributions rise, while one-third continued to report declines. Almost 20 percent of nonprofits reported receiving 15 percent more in contributions than they did the previous year. International organizations saw the greatest uptick in giving with more than 60 percent reporting higher contributions, largely in response to the earthquake in...
Haiti and the flood in Pakistan. Conversely, arts organizations reported the largest declines.

Larger organizations were more likely to report increases than smaller ones—about 50 percent of nonprofits with budgets of $3 million or more reported higher revenue in 2010, while only 40 percent of nonprofits with budgets of less than $250,000 saw an increase.

More than half of nonprofits surveyed met their fundraising goals in 2010. Organizations raised funds an average of six different ways, with online donations proving an increasingly fruitful method. Three-quarters reported using or having the ability to receive online donations, 58 percent of whom saw their online donations go up in 2010. The more fundraising methods an organization used (soliciting by phone, planned events, online, etc.), the more likely they were to report an increase in revenue.

The survey also asked organizations about government grants, a major source of revenue for nonprofits. About 45 percent reported having government grants, 38 percent of whom experienced a decline. With federal, state, and local government budget cuts still to come, Roeger noted, many nonprofits are bracing for further reductions in their government revenue.

Overall, the nonprofits surveyed were very positive about 2011—63 percent projected higher contributions and 40 percent anticipated having more money to conduct fundraising. When asked what their biggest challenge would be, many said it was donors not wanting to commit to multiyear pledges (due to fears of an unstable economy—an issue that may continue to linger). Others were concerned about getting their board members more involved or more willing to donate money themselves, while still others felt their biggest challenge was getting the word out about their current projects and raising funds to support them.

**Reforming the Charitable Deduction**

Joseph Cordes, professor and director of the School of Public Policy and Public Administration at George Washington University and an Urban Institute–affiliated scholar, discussed his recent research on the impact of changing the charitable deduction. Cordes used two proposals as examples—putting a 28 percent limit on the value of contributions and replacing the deduction with a 12 percent credit—and analyzed the effect on contributions and revenue under various assumptions of how sensitive donors are to the tax change.

In this analysis, Cordes considered the interaction of four different factors: the responsiveness of individuals to incentives, the dependence of different types of charities on contributions, the size of the subsector, and the giving characteristics of the income classes affected by the proposal.

- **Responsiveness of individuals.** The elasticity of charitable giving is a measure of how sensitive donors are to the tax incentives related to making donations. The more sensitive individual donors are, the more a cutback in any given incentive is likely to reduce the revenues of nonprofits. Since there is substantial disagreement about the sensitivity of donors, Cordes used two different measures (an elasticity of -0.5 and -1.0) that reflect the range found in statistical studies.

- **Dependence on contributions.** Some sectors, such as hospitals, depend little on donations. For education- and research-related sectors, donations remain an important source of revenue, but not their main financial resource. However, for other sectors (such as disease-related, animal-related, international foreign affairs, and public safety sectors) private contributions make up more than half of their total revenue. In addition, private contributions seemed to decline in importance as the size of the organization increased. Organizations with total revenue between $25,000 and $100,000 obtained the greatest percent of revenue from contributions, while those with total revenue over $10 million were the least dependent on private donations.

- **Size of subsector.** The vast majority of contributions (almost 90 percent) are claimed by 10 categories of nonprofits: religious, education-related (non-higher), hospitals, philanthropy, health, higher education, international foreign affairs, arts, human services, and disease specific. Religious groups claim the largest share at 33 percent of the total.

- **Giving characteristics of income groups most affected.** Giving patterns differ by income. Consequently, proposals that have a greater effect on higher-income individuals, for example, will disproportionately affect the charities to which they tend to donate the most (such as universities and arts organizations). As current proposals to reform the charitable deduction tend to target higher-income taxpayers, this holds important policy implications.
In comparing the two proposals, Cordes’ analysis finds, as might be expected, that replacing the deduction with a 12 percent credit would lead to a greater drop in contributions and a greater increase in revenue than the proposal to cap the deduction at 28 percent.

Cordes then analyzes the effect of a 10 percent drop in contributions on nonprofits in relation both to various nonprofit industries and to organization size. According to that analysis, the following industries are the most affected in percentage terms: disease-specific, public safety, animal-related, religion-related, and international affairs organizations. Industries least affected include hospitals, employment-related, youth development, mental health, and civil rights advocacy organizations. Simply because of aggregate size, of course, larger subsectors, such as hospitals, may still garner a significant share of the total cutback, even if their loss is a smaller percentage of their total revenues.

Cordes indicated that this analysis is preliminary, and he will be conducting more refined research on the issue as part of his work with the Urban Institute’s Tax Policy and Charities project.

Related Reading


Acknowledgments

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