

## **CHARITABLE GIVING DURING THE COVID-19 PANDEMIC**

### **WRITTEN TESTIMONY**

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#### **Joint Economic Committee**

Chairman Lee, Vice Chair Beyer, and other distinguished members of the Joint Economic Committee.

Thank you for the opportunity to testify today. I am the Associate Dean for Research and International Programs at the Indiana University Lilly Family School of Philanthropy- the world's first School dedicated to the study and teaching of philanthropy. The School is in the vanguard of philanthropy education and research. I am also a Professor of Economics and Philanthropic Studies.

The School's research initiatives have tracked crisis and disaster giving since September 11, 2001.

My written testimony will focus on addressing three crucial questions: 1) What are the current trends in charitable giving during the COVID-19 pandemic 2) How should these trends be interpreted in light of overall charitable giving patterns? 3) What are the policies that can strengthen charitable giving by American households now and in the future?

## **CHARITABLE GIVING DURING THE COVID-19 PANDEMIC**

For many American households, philanthropy is a core value.

Through good times, and during times of crisis and upheaval, American philanthropy – which includes donors at all income levels, and all racial and ethnic backgrounds – has worked collaboratively to fill gaps where governments or markets face limitations and provide capital for innovation, and to meet basic needs.

Philanthropy defined "as voluntary action for the public good" is a central way for Americans to contribute to civic and social life and the vitality and strength of their communities. The philanthropic sector role is evident in short-term emergencies as well as in Americans' long-term commitment to religious congregations, food pantries, homeless shelters, neighborhood associations, to the arts, and to educational programs.

In 2018, Americans donated about \$427.71 billion to charitable organizations [1], of which about 68 percent came from living individuals.

The COVID-19 pandemic has induced twin crises in communities across the U.S. Americans of all backgrounds are grappling with unprecedented health and economic shocks. Moreover, African-American and Latino populations have been disproportionately impacted by the COVID-19 pandemic, exposing deep racial and structural inequities [2].

Four aspects of the philanthropic response to the COVID-19 pandemic merit close attention.

First, we have witnessed tremendous generosity during the COVID-19 pandemic by American households of all backgrounds, not only the immediate and generous monetary support to charitable organizations, but also "mutual aid" to neighbors, friends, and community members. To date, U.S. foundations and corporations have contributed over \$11 billion to the novel coronavirus response, based on Candid's estimates [3].

Research can provide critical insights for donor patterns and better understand what we might be in store so we can strengthen services and support recovery efforts ahead. Philanthropy has played an important role during and following national and international crises. From 9/11 to the disasters, such as Hurricane Harvey in 2017, we have seen Americans of all ages, education, and income levels give generously of their money, their goods, their time, and their talent, as well as build networks during times of crisis.

In response to such crises, around 30 percent of U.S. households made a disaster-related donation in 2017 and 2018, and the average donation was about \$300 [4]. The magnitude of a disaster was found in our research to be the top factor encouraging Americans to contribute to disaster aid efforts. Many Americans who donated after disasters did so without reducing their giving to other charitable causes. Nearly 80 percent of households who donated to disaster-related activities in 2017 and 2018 did not change their giving to other causes, and 12 percent even increased their giving to other causes.

During the COVID-19 pandemic, philanthropy has continued to play a critical role in addressing the immediate health impacts while addressing the cascading effects of the crisis.

For 20 years, the school has tracked gifts of \$1 million or more in the United States through the [Million Dollar List](#). In response to COVID-19, there have been a significant number of contributions of \$1 million or more made by individuals, including many donations by celebrities and other wealthy individuals who have not previously donated at the million-dollar level. To date, the largest publicly announced donation is a pledge by Jack Dorsey, the CEO of Twitter and Square, Inc. [5].

Initial evidence suggests that large gifts are fueling scientific advances and serving as a catalyst for research in new areas in health, and expanding health care capacity. Specifically, philanthropic support has played a role in catalyzing innovation in developing health care capacity, diagnostic testing and funding vaccine research.

Second, during the crisis, new forms of philanthropy—such as crowdfunding—have gained visibility. The crisis has inspired innovation with the adoption of new fundraising and virtual engagement technologies and demonstrating the role of individual donors in meeting community challenges.

Crowdfunding campaigns, typically driven by small donations, have expanded in their reach and impact. There are nearly 200 crowdfunding campaigns in the United States on GoFundMe.com that have each raised over \$100,000. The largest – America's Food Fund – has raised over \$26 million and focuses on addressing food insecurity during the pandemic.

Another significant crowdfunding campaign launched by the Center for Disease Control (CDC) Foundation on Charidy.com has raised nearly \$50 million.

Numerous national and global fundraising campaigns have taken place since the beginning of the pandemic. One of the largest, One World: Together at Home, which took place on April 18, raised nearly \$128 million [6], while over \$503 million was donated online during #GivingTuesdayNow on May 5 [7].

Third, in the wake of the COVID-19 pandemic, we have also seen philanthropy as a unique collaborator, convener, and facilitator of collective action in local communities.

A unique initiative led by Dr. Laurie Paarlberg, Endowed Chair in Community Philanthropy at the Lilly Family School of Philanthropy, is tracking philanthropy's response at the local level.

As of May 15, her Mapping Community Philanthropic Response to COVID-19 project estimates that community funds in cities and towns across America have raised more than \$634 million and distributed at least \$376 million<sup>1</sup> to financially vulnerable individuals and nonprofits. As of May 15, the research team had identified **1020** organizations supporting COVID-19 funds, with **244** funds jointly supported by United Way or community foundation. Many of these funds have worked to address the critical needs created by the pandemic –including food insecurity, mental health, and emergency financial assistance.

Finally, the COVID-19 pandemic has exposed harsh social and economic disparities. Private funders and nonprofits are working to address the needs of the most vulnerable who are most impacted by the pandemic's economic fallout.

In Michigan, a collaboration of philanthropic organizations (including the Kellogg Foundation) rapidly joined forces to supply computer tablets with high-speed internet connectivity to Detroit Public School students [8]. The \$23 million fund, called Connected Futures, addresses the digital divide for K-12 students. A national fund, the Coronavirus Care Fund (CCF), provides emergency assistance for qualifying domestic workers who are facing hardship, and over 100,000 people around the country have contributed to the fund [9]. Another national fund, the Families and Workers Fund focuses on workers and families who have been affected by job loss and school shutdowns [10].

The initial philanthropic response to Covid-19 is unprecedented in its speed, size, and scope -- and many local food banks and human service charities and nonprofits of all sizes have risen to the challenge.

Not all communities have a sustained capacity to raise much-needed funds and respond to local needs. However, the economic and social ripple effects of the pandemic are still unfolding. The need for private philanthropy is rising, with many more people and communities needing services and support when the ability of some donors to give is challenged.

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<sup>1</sup> Both numbers are an estimate and under report the magnitude of community philanthropy as only 60% of funds are currently publicly reporting resource flows.

## **OVERALL TRENDS IN CHARITABLE GIVING**

Research has long-established that charitable giving is linked with national and regional economic trends. Several factors influence how much Americans donate, including financial and economic conditions.

Before the Great Recession, the fraction of Americans who gave to charitable causes was stable at about two-thirds of the population. In 2016 (the most recent year with available data), around 53 percent of American households donated [11]. In general, donation participation and amounts donated increase with education, wealth, and income [12-14].

The Philanthropy Panel Study [15], a module of the Panel Study of Income Dynamics [16], has tracked the share of American households who donate to charity since 2000. Between 2000 and 2008, giving remained steady (66.2 percent donated in 2000 and 65.4 donated in 2008). The Great Recession (December 2007–June 2009) [17], in particular, exposed how vulnerable household giving is to economic downturns. At the same time, components of 21st-century life such as globalization, demographic shifts, decreasing congregational affiliation and attendance, and increasing use of technology continue to alter and reshape future giving patterns.

In 2016, the average American donor contributed \$2,763, or about 3.7 percent of income [11]. Participation rates and giving levels among individuals with high education, wealth, and income have generally held steady or increased [11]. However, among low and middle-income Americans, and Americans with less than a high school education declines in participation rates in charitable giving are evident [11; 18] For now, this trend of "dollars up, donors down" has allowed overall giving in the United States to continue to increase in most years [1].

Today, low- and middle- income households represent a smaller share of America's individual giving landscape with implications for the strength and vibrancy of civil society.

## **TAX POLICY AND CHARITABLE GIVING**

Beyond the impact of financial and economic conditions, one important aspect of the giving landscape is the potential tax benefit that U.S. households receive from their charitable contributions. Tax policy can promote the growth of philanthropy and the development of a thriving nonprofit sector.

The charitable deduction is one of the oldest tenets of the U.S. tax code, dating to 1917. It effectively reduces the cost contributing to qualified nonprofit organizations by an amount that depends on the donor's marginal tax rate, subject to specific annual limits. It affirms the value our society places on voluntary giving and the vital role of philanthropic organizations in meeting individual and community needs, and encourages the spirit of generosity that is an integral component of American civic life.

Over time, U.S. federal tax policy has become less progressive. It lowered the tax burden on high-income households without providing the same incentives for low- and middle-income households [19]. This has the potential to reduce giving further by low- and middle-income families.

When examining the impact of tax policies, policymakers have the opportunity to consider how various policy options influence the level of charitable giving dollars, the share of households that donate, and the overall impact on tax revenues.

The Lilly Family School of Philanthropy recently analyzed the impact of various policy options that would extend the non-itemizer deduction. Expanding the non-itemizer deduction is estimated to increase both participation rates in charitable giving and charitable dollars raised. We projected that extending the non-itemizer deduction could increase charitable giving dollars by up to \$26.2 billion (an increase of 7.7 percent), and increase the number of households who donate by up to 7.3 million households (an increase of 8.2 percent) in 2021 [20]. The policy would reduce Treasury revenue by up to \$21.6 billion (a decrease of 0.6 percent). Therefore, the plan would bring in up to \$4.6 billion more in charitable dollars than is lost in Treasury revenue.

As the nation faces daunting and complex challenges, policy debates have increasingly focused on strengthening the incentives for charitable giving.

The importance of public policy that can support charitable giving is critical. To meet the complex challenges of expanding community needs triggered by COVID-19, we need to examine how individuals and organizations across public, business, and nonprofit sectors can work together effectively to address immediate and long-term challenges.

Expanding tax incentives for lower- and middle-income Americans can be one vital step in fostering public involvement in this critical effort.

Thank you for the opportunity to testify today. I would be happy to respond to any questions you may have.

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