

## Giving USA Report Has Troubling News

07.16.19 | Linda J. Rosenthal, JD



On June 18, 2019, the Giving USA Foundation issued [Giving USA 2019: The Annual Report on Philanthropy for the Year 2018](#), its once-a-year publication that is the “longest-running and most comprehensive report of its kind in America.”

In 2017, charitable giving was at a record rate. But in the landmark Tax Cuts and Jobs Act of 2017 (TCJA), effective January 1, 2018, Congress hurriedly jammed through dramatic changes in the available tax incentives for charitable giving. Most notably, the doubling of the standard deduction category was set to swallow up more than half of the taxpayers formerly eligible to itemize deductions including the Section 170 (charitable) deduction. Throughout the philanthropy sector, there was concern that contributions to 501(c)(3) organizations would drop off – perhaps significantly.

The Giving USA 2019 report substituted hard data for the anecdotal evaluation during 2018 of apparent amounts and patterns of charitable giving. To some degree, the results were more positive than expected but there are troubling trends as well.

### *The Giving USA Results*

The Giving USA Foundation is a public service initiative of The Giving Institute. Its Annual Report on Philanthropy is produced by the [Indiana University Lilly Family School of Philanthropy](#).

The good news is that “charitable giving set another overall record in current dollars for 2018 – up to \$427.71 billion, according to preliminary estimates in the Report. That is 0.7 percent higher than the revised \$424.74 billion figure for 2017. Taking inflation into account, though, means that there was a drop of 1.7 percent from the 2017 figures.

More ominous is that “giving was uneven throughout the sector under new federal tax laws.” For the first time since 2013, donations by individuals were down 1.1 percent, or 3.4 percent when adjusted

for inflation.” And for the first time in decades – since 1954 – individual giving dropped below 70 percent of total charitable giving. For 2018, the figure was just 68 percent.

While “giving by foundations and corporations reached record levels,” that figure is only about a third of the total amount of giving by individuals. “Bequest giving was essentially flat” but taking into account inflation it “declined by 2.3 percent.” Across the sector, “giving was uneven, with most areas being flat or down in 2018, unable to keep pace with inflation.” The only bright spots were the “international affairs” followed by “environment and animal” categories.

This uptick may be due to increased focus and interest by younger donors. But researchers have concerns in the long run about the giving patterns of the (now) millennials, who are experiencing significant financial challenges in this economy. Historically, donors have given more as they age, but that may not be true down the line.

Another notable finding of the Giving USA report is that “overall giving to religious congregations .. and to educational causes including higher education” were the top categories in 2018 – but there was a decline even for them from the figures for 2017.

### *Mixed Giving Picture*

According to the Giving USA researchers, there was a “mixed picture for giving in 2018.” They expect to be “analyzing data for the next few years to better understand how broad giving patterns may have changed.”

Put another way by consultant Elizabeth Wilson of American Philanthropic, the “survey tactfully describes 2018 as having been ‘a complex climate for charitable giving,’ due to fluctuations in the stock market, the new standard deduction ushered in by the Tax Cuts and Jobs Act, and a host of other factors.” The results may fairly reflect the “hastening” of an existing “trend: ...an increase in the amount of individual giving, simultaneous with a decrease in the number of individual givers. Put another way, there are more dollars but fewer donors.”

This may account for the “sharp rise in foundation giving” according to Ms. Wilson, and indicate “increased income inequality along with the emergence of a new ‘philanthropic class’ consisting of wealthy individuals relying on foundation structures as more expedient giving vehicles.” Indeed, a number of commentators have expressed concern about the dramatic growth of donor-advised funds that continued to accelerate in 2018.

### *First Quarter 2019*

According to results of monitoring by the Fundraising Effectiveness Project of the Association of Fundraising Professionals (AFP) “almost every metric... has decreased” in the January – March quarter of 2019. “We’re seeing the exact same situation that we experienced in the first quarter of 2018....”

FEP’s 2019 First Quarter Report revealed that the “total number of donors decreased by 5.7 percent in the first quarter of 2019 compared to the first quarter of 2018, while overall revenue dropped 2.2 percent.” Retention rate was down, but “...perhaps the most troubling figure is the number of new

donors, which dropped precipitously by 10.5 for the quarter.”

According to Ben Miller, chief analytic officer at DonorTrends, while total giving went up in 2018, the rate of growth in giving “decreased dramatically, and it masked a number of concerns, and those weaknesses are showing up again in the first quarter of 2019.” And AFP’s head, CPA Mike Geiger, notes that projecting results out for the rest of the year is difficult, but the growth of giving may continue to fall in 2019, “perhaps to the point where overall annual giving actually decreases.”

### *Conclusion*

Elizabeth Wilson calls these results a “troubling shift that may suggest a weakening in civil society, as well as some discomfoting trends in the American economy: financial stagnation among the lower and middle socioeconomic classes exacerbating the fragmentation of, and disengagement from, communities.”

— *Linda J. Rosenthal, J.D., FPLG Information & Research Director*