

Local Residents are Generous

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The Charities Aid Foundation (CAF) annually publishes a World Giving Index using survey data collected by Gallup. The index ranks 140 world nations according to charitable contributions. The most recent edition published in October 2018 pegged Indonesia, Australia, New Zealand, the US, and Ireland as the top five most charitable countries.

Overall, the US ranking in the top five most generous nations since the beginning of the CAF publication in 2010 represents strong confirmation of the American spirit of generosity. Ted Hart, president of the nation's CAF affiliate claims the "United States of America is a country built on philanthropy, and charitable giving continues to play an integral role to our development as a nation." Surveys exploring reasons for charitable giving reveal that Americans are likely to donate because they care about a cause and generally trust charitable organizations as agents to help the less fortunate.

The IRS allowance for deducting contributions to qualified charities is another incentive for giving. Indeed, the allowance is one of the oldest provisions in the America's tax laws, dating back to the War Revenue Act of 1917 when Congress first authorized deductions to ensure the survival of charitable giving in the face of tax increases on the wealthy needed to underwrite the costs of WWI. Today, tax payers may deduct as much as 50% of their adjusted gross income for gifts to charities.

During January this year, the Business Insider published a list of the 25 most generous US counties based on IRS data from personal income tax records in 2016. The Insider focused on average charitable contributions filed by taxpayers. Their data shows that, while taxpayers in some Texas counties are tightfisted, high levels of giving are also common across the state.

The study found that six of the 25 most charitable counties in 2016 were in Texas and four of them (McMullen, Glasscock, Midland, and Shackelford) were in West Texas. The extent of Tom Green giving in 2016 also offers points to applaud. On average, local taxpayers contributed \$8,422 in 2016. This was a higher average than 78% of Texas counties and 90 percent of all counties across the nation.

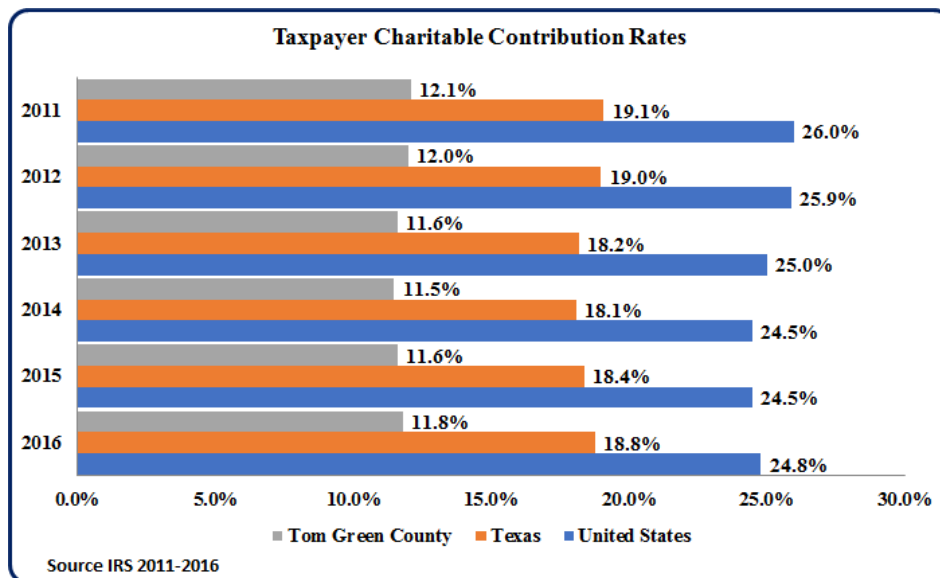
Clearly, the Business Insider approach falls short as a comprehensive measure of charitable giving since it overlooks taxpayers not itemizing deductions, as well as the value of time and labor contributed by volunteers for charities. Nevertheless, IRS records are among the most reliable measures to assess charitable giving by the higher income members of communities who are most likely to itemize income tax deductions.

Intrigued by Hart's comments on the essential role of philanthropy in America's development, we started an investigation by applying the Business Insider approach to develop a systematic analysis of charitable deductions from Tom Green County compared to Texas and American taxpayers between 2011 and 2016. The results provide some insights into local charitable giving.

In 2016, 6,100 Tom Green County households filed federal income tax returns with itemized charitable contributions. This amounted to 11.8% of the total 51,660 returns from the county that

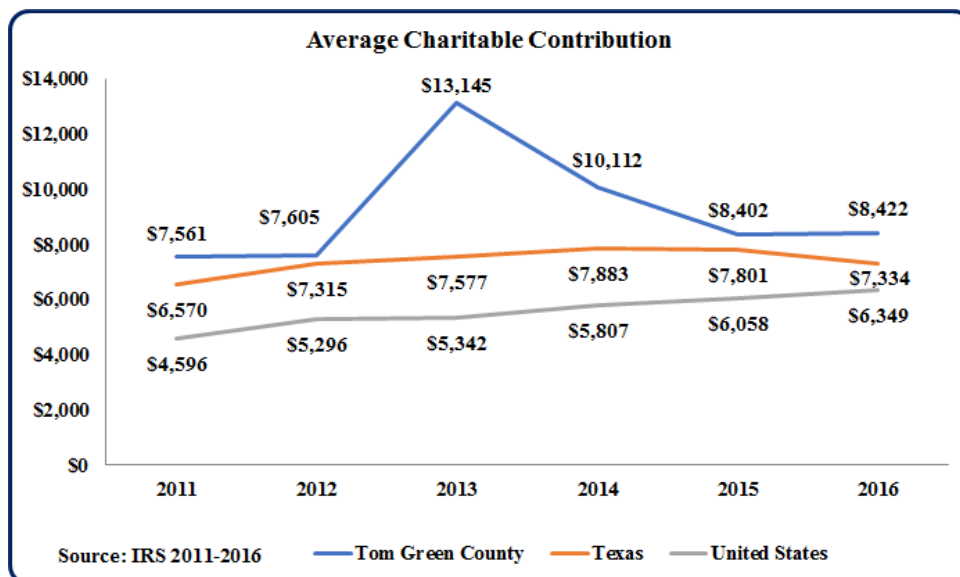
year. Donors took an average deduction of \$8,422 for contributions to charity.

In comparison, 18.8% of Texas and 24.8% of American taxpayers itemized charitable contributions in 2016. They reported average charitable contributions of \$7,334 per Texan and \$6,349 per American taxpayer.



It is flattering to know that the average contribution of \$9,208 itemized by Tom Green County taxpayers between 2011 and 2016 was 24% higher than the average for Texas (\$7,413) and 65% above the national average (\$5,575). The community's gratitude is warranted.

Still, there is more to learn by looking beyond averages. For instance, a closer look at trends over time shows that Tom Green County relies on a proportionately smaller group of elite, high income donors compared to Texas or the country overall.



At each geographical level, an amazingly stable percentage of taxpayers have itemized charitable contributions. Between 2011 and 2016, the proportion of American taxpayers deducting

contributions ranged between 24.5% and 26%. A narrower range from 18.1% to 19.1% of Texans itemized deductions, and a still smaller group of 11.5% to 12.1% of Tom Green County households listed charitable contributions. The evidence is that donor class in Tom Green County is about 37% smaller compared to Texas and some 53% smaller than the nationwide proportion.

Another key observation is that local contributions have been more volatile compared to the state or nation. The effect of the oil industry in Tom Green County is evident in the 73% increase from an average \$7,605 charitable deduction taken by taxpayers in 2012 to \$13,145 in 2013. The local average then regressed to \$8,402 in 2016 and \$8,422 in 2016. Similarly volatile spikes in charitable giving are not present at the state and nationwide levels.

The 2017 Tax Cuts and Jobs Act did not eliminate the deduction for charitable giving, but it prompted some analysts to think its near doubling of the standard deduction may lead to a similar end. Under the new law, standard deductions increase to \$24,000 for married taxpayers filing jointly and \$12,000 for single taxpayers or married persons filing separately. Also, the top tax rate affecting the highest income households was lowered to 37%.

When President Trump signed the new tax law in December 2017, these and other provisions prompted the the Council on Foundations to claim, “the Tax Cuts and Jobs Act will result in a decrease of \$16-\$24 billion in charitable giving every year, significantly decreasing the philanthropic sector’s ability to provide resources and services to people across the United States and abroad.” During 2018, researchers at the Lilly Family School of Philanthropy and the Tax Policy Center followed with predicted declines ranging between 1.7% and 6.5%. Reductions in this range would curb charitable giving in Tom Green County’s by an amount ranging from \$873,000 to \$3.4 million if materialized.

During February this year, however, Blackbaud Institute for Philanthropic Impact released the first analysis of actual charitable giving results for the first tax year under the Tax Cuts and Jobs Act. Blackbaud is a private company providing fundraising, marketing, advocacy, payment processing, and analytic services to more than 9,000 nonprofit organizations that raised \$31.9 billion during 2018. Their Blackbaud Charitable Giving Report for 2018 shows a 1.5% gain in contributions over 2017 and a 9% increase over 2016 levels.

Blackbaud’s results were also buoyed by small-dollar online giving comprising 8.5% of total contributions in 2018 according to the Giving Report. The online contributions average only \$147, but the rate of giving was up from 7.1% in 2015.

The growth of online giving evidenced in the Blackbaud data is particularly perceptive because it indicates increased philanthropic involvement by community members with modest incomes and assets that do not provide for itemizing substantial charitable deductions from federal income taxes.

Crowdfunding opportunities, for instance, are surfacing more frequently in communities. They range from corporate campaigns like the USA Today Network’s “a community thrives” initiative that is currently being offered through the Standard Times to gofundme sites like the memorial fund for five-year old Naiya Bermea Villegas who fell victim to domestic violence in 2014.

In our local area, the most established online fundraising event is San Angelo Gives, which is conducted on the first Tuesday in May each year by the San Angelo Area Foundation. Last year’s event raised \$1.7 million from 6,932 donors who benefitted 173 area non-profit agencies.

The average contribution was \$242, substantially higher than the \$147 average reported for nationwide online fundraising by Blackbaud. In 2018, 56% more non-profit agencies benefitted from San Angelo Gives than in 2015, the value of contributions grew by 113%, and the number of contributors increased by 110%.

Former First Lady Barbara Bush had a heartfelt thought about giving. She felt, "Giving frees us from the familiar territory of our own needs by opening our mind to the unexplained worlds occupied by the needs of others." Expressed in charitable giving, such acts of empathy do "play an integral role" in our development as a community.