



Fiscal and Budgetary Impact of Emergency Charity Stimulus

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- A 3-year mandate to increase private foundation payout from 5 to 10 percent – and requiring donor-advised funds (DAFs) to have a 10 percent payout – would incentivize over \$200 billion in charitable giving to the nonprofit sector, at no cost to taxpayers (as donors have already taken deductions).
- The Emergency Charity Stimulus would raise direct federal revenue through increased excise taxes on private foundations and DAFs that fail to meet the increased payout mandate. Over three years, we estimate it would raise over \$8.7 billion in direct revenue.
- The proposal would also generate billions in indirect revenue by saving tens of thousands of jobs in the nonprofit sector, reducing unemployment insurance and increasing income tax revenues. This paper is only focused on direct revenue impacts.

The emergency charity stimulus would incentivize hundreds of billions of dollars to flow to front-line charities during the pandemic and its economic aftermath while generating revenue through an excise tax.

Implementing a three-year emergency charity stimulus (ECS)—by mandating an increased private foundation payout and requiring donor-advised funds (DAFs) to have a payout—would have both direct and indirect revenue impacts. In addition to indirect fiscal benefits resulting from increased employment in the nonprofit sector, the ECS would generate excise tax revenue for the U.S. Treasury.

Direct Revenue from Non-Compliance Penalties. Private foundations are required to pay a federal excise tax and a penalty for failure to meet minimal payout requirements. Under the proposed Emergency Charity Stimulus, donor-advised funds (DAFs) and their sponsoring public foundations will be assessed a similar penalty for failure to meet payout requirements.

Based on an analysis of 2018 foundation filings, we estimate the Emergency Charity Stimulus proposal would bring in over \$8.7 billion in revenue over three years from increased excise taxes under 26 USC 4942. This \$8.7 billion comes from \$8.3 billion in excise taxes *and* penalties from foundations (over three years), plus \$394 billion in penalties from DAFs (over three years).

In 2021 alone, the revenue would be \$2.7 billion from private foundations failing to meet the mandated 10 percent pay-out; and \$118 million from donor advised funds failing to meet the

10 percent mandate. These amounts would increase in years two and three. This is a conservative estimate, as we explain below.

Indirect Fiscal Impact. The indirect fiscal impact would be substantial. We estimate that an increased payout mandate would inject more than **\$200 billion** into the nonprofit charitable sector over three years. (Note: Not all distributions may go to active charities; some funds may be used for foundation overhead and expenses). Increased employment would reduce federal expenses for Unemployment Insurance and other means-tested programs while increasing income tax revenue. This paper does not attempt to estimate these indirect revenue benefits.

Prior to the pandemic the nonprofit sector employed over 12.3 million people, an estimated 10 percent of the U.S. workforce. According to a recent Johns Hopkins study, the nonprofit charitable sector lost over 960,000 jobs in 2020. 50,000 of those were in December 2020 as the already sluggish recovery reversed course. Hardest hit are local nonprofits that provide direct community services, organizations providing medical services for children and the elderly, and arts and cultural organizations.

Explanation Overview

This memo will suggest there are significant fiscal benefits to instituting an emergency charity stimulus and will offer a methodology for tax-scoring agencies to analyze potential revenue.

We also recommend policymakers consider an increase to the penalty for non-compliance with the increased payout mandate. This would increase both direct and indirect revenue effects.

Taxes on Failure to Distribute Income: Private Foundations

Excise tax revenue for foundations is composed of two parts: excise taxes on net investment income, and excise taxes on undistributed funds below the minimum payout requirement. As of 2020, foundations are required to pay a flat excise tax of 1.39 percent on their net investment income, and to pay a tax of 30 percent of undistributed funds below the minimum.

According to [IRS rules](#), the undistributed income tax is charged each year or partial year that the foundation pays out below the minimum, and the rate goes up to 100 percent if the foundation does not correct their payout within 90 days after notification from the IRS that they must do so. To be conservative, however, our estimates are based solely on the 30 percent tax in the first year of underpayment.

To arrive at our estimates, the Institute for Policy Studies conducted an analysis of all publicly available IRS tax filings for private U.S. foundations that filed electronically in 2018. Based on this actual data, we modeled information for all foundations and updated dollar amounts for 2021-2023. Our methodology and charts are available for review in preparing revenue estimates.

In 2018, 56,119 foundations filed electronically. These foundations had assets of \$407 billion, accounting for an estimated 42 percent of the assets of all the foundations in the United States. The electronic filers paid out charitable distributions at a median 5.4 percent of assets, and paid \$39.8 million in excise taxes on net income.

However, 37 percent of these electronic filers paid out at less than 5 percent of assets. These non-compliers had a median payout rate of 4.2 percent and underpaid their charitable

distributions by \$1.69 billion, resulting in an estimated \$508 million in excise taxes on undistributed income.

Assuming similar rates of non-compliance had a 10 percent minimum payout requirement been in place, we estimate that electronic filers would have underpaid their charitable distribution requirement by \$3.4 billion and would have paid \$1.02 billion in excise tax penalties on undistributed funds in 2018.

Based on this data, we estimate that, had a 10 percent minimum payout requirement been in place, all U.S. foundations as a whole would have underpaid by a total of \$8.1 billion, and would have paid excise tax penalties of \$2.41 billion in 2018. **Assuming similar rates of non-compliance in future years, and an average annual asset growth rate of conservative 3.6 percent, this would result in total estimated excise taxes of \$2.7 billion in 2021, and \$8.3 billion over the three years from 2021 to 2023.**

Taxes on Failure to Distribute Income: Donor-Advised Funds

There is regrettably little transparency into the financial practices of donor-advised funds. Because income and payout rates are reported in aggregate for DAF sponsor organizations, there is little reliable data on payout rates for individual DAF accounts. And because donor-advised funds have never had a mandated payout rate, there is no historical track record by which to estimate potential excise tax revenue on undistributed funds.

For our estimates, therefore, we have used the most recent reliable research available from researcher James Andreoni, philanthropy law expert Ray Madoff, and the *Chronicle of Philanthropy*, which indicates that DAF sponsors have an estimated aggregate payout rate of roughly 12 percent to 14 percent. This is about two and a half times higher than the median payout rate of private foundations.

Since DAFs already have a higher typical payout rate than private foundations, we believe that their compliance rate with a new 10 percent minimum payout would be higher as well. To be conservative, therefore, we assume that the compliance rate of DAFs would be higher than that of private foundations by the same proportion by which DAF payout rates exceed the payout rates of private foundations.

We also assume that the DAFs that miss the 10 percent minimum requirement would pay out at 8.4 percent—the same proportion by which private foundations miss the minimum requirement.

Under these assumptions, we estimate that 85.7 percent of all DAFs would meet a newly-imposed 10 percent minimum requirement. The remaining 14.3 percent would miss the 10 percent minimum payout requirement. These non-compliant DAFs would pay out at 8.4 percent, underpaying by a total of \$324 million in undistributed income in 2019. At a tax rate of 30 percent, this would have resulted in \$97 million in excise taxes on undistributed income in 2019. **Assuming similar rates of non-compliance in future years, and an average annual asset growth rate of 10.4 percent (conservative for DAFs, which have grown rapidly), this would result in total tax penalties of \$119 million in 2021, and \$394 million over the three years from 2021 to 2023.**

Our emergency charity stimulus proposal does not include imposing an excise tax on net investment income for DAFs. However, for the sake of context, we have provided estimates of the revenue that would result should such a tax be instituted.

For these estimates, we started with the total net growth in DAF assets, and subtracted the net growth due to incoming contributions and outgoing grants; the amount of asset growth that remains is attributable to growth in investment income. From reporting by the National Philanthropic Trust (NPT), we know that this amounted to \$8.3 billion for national DAFs in 2019. A flat 1.39 percent tax on this amount would have resulted in an estimated \$116 million in taxes on net income for 2019.

Combining the estimated \$97 million in taxes from undistributed income with the estimated \$116 million in excise taxes from net investment income would have resulted in a total of \$213 million in estimated excise taxes in 2019. Assuming similar rates of non-compliance in future years, and an average annual asset growth rate of 10.4 percent, this would result in total tax penalties of \$260 million in 2021, and \$863 million over the three years from 2021 to 2023.

Appendix: Full Explanation and Methodology of the Estimates of the Fiscal Impact of the Emergency Charity Stimulus

Our methodology for estimating the fiscal impact of the ECS is detailed below, including charts outlining the calculations involved. These charts are also available for review in preparing revenue estimates.

Estimates for Foundations

The Institute for Policy Studies conducted an analysis of all publicly available IRS tax filings for private U.S. foundations that filed electronically in 2018 (the most recent full year of filings available).

We based our estimates for all U.S. foundations on the actual assets, charitable distributions, and excise taxes reported by these 2018 electronic filers, adjusting dollar amounts proportionately to account for the fact that the assets of electronic filers represent just 42 percent of the total assets of all foundations in the U.S. (according to total foundation assets reported by FoundationMark.com).

We have also assumed a 3.6 percent annual average growth rate in assets for private foundations over the years covered by our estimates. This growth rate is half of the actual 7.2 percent average annual growth rate of foundation assets over the most recent five years from 2016 to 2020 as reported by FoundationMark.com.

We have used a lower estimated growth rate than recent actual averages because of the fact that if the payout requirement is raised, foundations with lower-performing investments may need to draw from principal, thus reducing their future asset base. It is important to note, however, that donors currently contribute millions to their foundations each year, and will likely continue to do so—which can moderate or even entirely offset reductions in principal assets resulting from the change in the payout requirement. For this reason, we believe that 3.6 percent is a conservative estimate of future foundation asset growth.

Additional Charitable Distributions to Charities

Giving USA, the Giving Institute’s seminal annual publication on charitable giving, reported that foundations distributed an estimated \$75.9 million to charity in 2018.

From our own analysis, we determined that foundations filing electronically had a median payout rate of 5.4 percent of assets in 2018, just above the minimum required rate of 5 percent.

If the minimum payout requirement for foundations was increased to 10 percent, foundations would likely pay out at a median rate slightly above the 10 percent minimum, as they currently do with the 5 percent minimum. To be conservative, however, we assumed that if the minimum was raised to 10 percent, foundations would pay out at just the 10 percent minimum. An increase in payout rate from 5.4 percent to 10 percent for each individual foundation results in an estimated total of \$64.6 million in additional revenue to charity in 2018.

We then adjusted this 2018 estimate for 2021, 2022, and 2023 using the 3.6 percent average annual growth rate above.

Revenue Received in Taxes

Tax revenue for foundations is composed of two parts: excise taxes on net investment income, and tax penalties on undistributed funds below the minimum payout requirement. As of 2020, foundations are required to pay a flat excise tax of 1.39 percent on their net investment income, and to pay a tax of 30 percent of undistributed funds below the minimum.

The undistributed income tax is charged each year or partial year that the foundation pays out below the minimum, and the rate goes up to 100 percent if the foundation doesn't correct their payout within 90 days after notification from the IRS that they must do so. Our estimates, however, are based solely on the 30 percent tax in the first year of underpayment.

Excise taxes on net investment income. From IRS data, we know that 23,999 of the foundations that filed taxes electronically in 2018 paid excise taxes on net income that year, and that those taxes amounted to \$39,838,624.

Adjusting that dollar amount to account for the fact that the electronic filers represented 42 percent of the total assets of all foundations in the U.S. gives us an estimated excise tax on net investment income for all U.S. foundations of \$94,569,676.

Tax penalties on undistributed income below the minimum requirement. From IRS data, we know that 20,734 (37 percent) of the foundations that filed taxes electronically in 2018 paid out at less than the 5 percent minimum requirement that year; that those non-compliers paid out at a median 4.2 percent of their assets; and that the total amount of additional funds that should have been distributed to charity that year was \$1,694,994,298.

We assumed that the same proportion of foundations (37 percent) would not meet an increased 10 percent minimum payout requirement, and we assumed that the foundations who missed the 10 percent minimum would pay out at 8.4 percent, a rate proportional to the payout rate of those who missed the actual 5 percent minimum.

For electronic filers, this results in a total estimated \$3,389,988,596 in undistributed funds below our proposed 10 percent minimum. Imposing the 30 percent tax on these undistributed funds would result in tax revenue of \$1,016,996,579.

Adjusting this tax amount to account for the fact that the electronic filers represent 42 percent of the total assets of all U.S. foundations gives us an estimated tax on undistributed income of \$2,414,165,628 for all foundations.

Total tax revenue. Adding the total excise taxes on net investment income (\$94,569,676) to the taxes on undistributed income (\$2,414,165,628) gives us an estimated total of \$2,508,735,304 in tax revenue for all foundations in 2018. We then adjusted this total 2018 estimate for 2021, 2022, and 2023 using the 3.6 percent average annual growth rate above.

Estimates for Donor-Advised Funds

In the Emergency Charity Stimulus, we propose that the same tax structure and rates on undistributed income that are currently used for private foundations should be used for DAFs as well.

It is important to note that because of the lack of transparency into donor-advised fund (DAF) finances, there has been no reliable data published on median payout rates for individual donor-advised fund (DAF) accounts.

What data does exist consists of self-reported payout rates in aggregate for DAF sponsor organizations as a whole; DAF sponsors provide researchers with a single aggregate payout rate of their charitable distributions divided by their net assets. But this aggregate rate conceals the fact that some individual DAF accounts managed by those sponsors may pay out at much higher rates, and that some accounts may pay out nothing.

One of the only reliable sources for individual DAF account payout rates is a study by IRS economist Paul Arnsberger from 2012. In that report, Arnsberger discovered that 22 percent of all DAFs paid out nothing at all for the years he analyzed.

For our estimates, we assumed that roughly the same proportion of DAFs, 22 percent, paid nothing at all in 2019. We then assumed that imposing a 10 percent minimum payout requirement would bring most of these zero-paying DAFs up to a 10 percent payout, since most of them would be motivated to comply with the new rule.

We also assume that these zero-paying DAFs would have a proportionally similar compliance rate as private foundations do now (85.7 percent), and that the median payout rate of non-compliant DAFs would be proportionally similar to that of non-compliant private foundations (8.4 percent).

We are also assuming a 10.4 percent annual average growth rate in assets for national DAFs, based on five-year average annual growth rates as reported in the National Philanthropic Trust's *2020 Report on Donor-Advised Funds*.

Also note that all DAF estimates are only for national DAF sponsors, not community foundations or single-issue DAFs.

Additional DAF Charitable Distributions to Charities

From the National Philanthropic Trust (NPT) report, we know that there were 873,228 individual DAF accounts held by all sponsors in the United States in 2019, and that they had an average size of \$162,556. If the minimum payout requirement had been 10 percent, each of these DAF accounts would have been required to pay out \$16,256 that year.

Based on the assumption that 22 percent of these individual DAF accounts actually paid out nothing in 2019, we estimated that if the payout minimum was set at 10 percent, then 85.7 percent of them—the same percentage of private foundations that comply with their existing minimum—would pay out at the new 10 percent minimum.

If 85.7 percent of these zero-payout DAFs had instead paid out at 10 percent, at an average payout amount of \$16,256, that would have resulted in a total of \$2,677,188,338 in additional charitable distributions in 2019.

We then adjusted this 2019 estimate for 2021, 2022, and 2023 using the 10.4 percent average annual growth rate above.

Revenue Received in Excise Taxes

Excise taxes on net investment income. There is little transparency into the actual net investment income of individual DAF accounts. To arrive at an estimate for net investment income, therefore, we started with the total net growth in DAF assets, and subtracted the net growth that was due to incoming contributions and outgoing grants. The amount of asset growth that remains is attributable to growth in investment income. From the NPT report, we know that this amounted to \$8,333,000,000 for national DAFs in 2019.

Multiplying that amount by the proposed excise tax rate on net investment income, 1.39 percent, gives us an estimated excise tax on net investment income of \$115,787,000 for 2019. We then adjusted this 2019 estimate for 2021, 2022, and 2023 using the 10.4 percent average annual growth rate above.

Taxes on undistributed income below the minimum payout requirement. This estimate required us to predict the proportion of DAFs that would not meet a minimum 10 percent payout, and by how much they would miss it.

There is no median payout rate available for donor-advised funds on the individual account level. The most recent research available from researcher James Andreoni, philanthropy law expert Ray Madoff, and the *Chronicle of Philanthropy* indicates that DAF sponsors have an estimated aggregate payout rate of roughly 12 percent to 14 percent. This is about two and a half times higher than the median payout rate of private foundations.

Since DAFs already have a higher typical payout rate than private foundations, we have assumed their compliance rate with a 10 percent minimum payout would be higher as well. We therefore estimated that 85.7 percent of all DAFs would meet the 10 percent minimum requirement; this compliance rate is higher than that of private foundations by the same proportion by which DAF payout rates exceed those of private foundations. A compliance rate of 85.7 percent means that 14.3 percent, or 124,622, DAFs would miss the 10 percent minimum payout requirement.

We also estimated that the DAFs that missed the 10 percent minimum would pay out at 8.4 percent, the same proportion by which private foundations miss the payout requirement. This means that under-paying DAFs would be in arrears by an average of \$2,601 each.

Multiplying the estimated number of DAFs that would be under the minimum requirement (124,622) by the estimated average amount they would have underpaid (\$2,601) results in a total of \$325,129,148 in undistributed income under the payout minimum.

Multiplying this total amount by the proposed tax rate on undistributed income, 30 percent, results in an estimated tax on undistributed income of \$97,238,744 for 2019.

Total tax revenue. Adding the excise taxes on net investment income (\$115,787,000) to the taxes on undistributed income (\$97,238,744) gives us an estimated total of \$213,025,744 in tax revenue for 2019. We then adjusted all of our 2019 estimates for 2021, 2022, and 2023 using the 10.4 percent average annual growth rate above.

Sources for Foundation Estimates

FoundationMark.com, "Asset Trends," <https://foundationmark.com/#/>.

Giving USA: The Annual Report on Philanthropy for the year 2018 (2019). Chicago: Giving USA Foundation.

Sources for DAF Estimates

Paul Arnsberger, "Donor-Advised Funds: An Overview Using IRS Data," 2012, p. 61.

2020 NPT Report on Donor-Advised Funds, <https://www.nptrust.org/reports/daf-report/>.

Alex Daniels and Drew Lindsay ("Flush With \$51 Billion, Donor-Advised Funds Face Questions About Payouts", Chronicle of Philanthropy, October 27, 2016).

Fiscal Impact of Emergency Charity Stimulus (Summary)

Assumes foundation annual payout minimum increased to 10% of assets and DAF annual payout minimum established at 10% of assets. Excise taxes include 1.39% tax on net investment income for foundations and 30% tax on undistributed income below the minimum requirement for both foundations and DAFs.

See following worksheets for detailed explanation of estimates.

Additional Distributions to Charities

	In First Year (2021)	Over Three Years (2021-2023)
Increased charitable donations from foundations	\$71,854,864,781	\$223,418,043,645
Increased charitable donations from DAFs	\$3,262,999,982	\$10,842,348,547
Total increased charitable donations	\$75,117,864,763	\$234,260,392,192

Revenue Received in Taxes

	In First Year (2021)	Over Three Years (2021-2023)
Direct tax revenue from foundations	\$2,684,394,427	\$8,346,576,855
Direct tax revenue from DAFs	\$118,516,138	\$393,807,318
Total direct tax revenue	\$2,802,910,565	\$8,740,384,173

Fiscal Impact of Emergency Charity Stimulus (Foundation Estimates)

Candid estimates are from "Key Facts on U.S. Nonprofits and Foundations," Candid / Foundation Center, April 2018.

FoundationMark estimates are from FoundationMark.com, "Asset Trends," <https://foundationmark.com/#/>.

Giving USA estimates are from *Giving USA: The Annual Report on Philanthropy for the year 2018 (2019)*. Chicago: Giving USA Foundation.

2018 private foundation metrics are from IPS's analysis of publicly-available IRS form 990PFs for all private foundations filing electronically.

Additional Distributions to Charities	Estimate	Source
Actual total distributions to charity for all foundations with the current 5% payout minimum (2018)	\$75,860,000,000	From Giving USA
Actual median payout rate per private foundation filing electronically (2018)	5.4%	Actuals from IPS analysis of IRS data
Estimated median payout rate for private foundations if minimum payout is increased to 10%	10.0%	Assumes that all foundations would pay out at new minimum
Estimated total distributions to charity for all foundations with a 10% payout minimum (2018)	\$140,481,481,481	Total distributions for all foundations in 2018, increased by proportionate increase in median payout rate
Estimated additional income to charity for all foundations with a 10% payout minimum (2018)	\$64,621,481,481	Estimated total distributions at 10% minimum minus total distributions at the current 5% minimum
Five-year average annual growth rate in foundation assets	3.6%	Half of recent historical asset growth rate (average change vs. prior year 2016-2020, from FoundationMark)
Estimated additional income to charity for all foundations with a 10% payout minimum (2021)	\$71,854,864,781	Assumes same average annual asset growth rate as above
Estimated additional income to charity for all foundations with a 10% payout minimum (2022)	\$74,441,639,913	Assumes same average annual asset growth rate as above
Estimated additional income to charity for all foundations with a 10% payout minimum (2023)	\$77,121,538,950	Assumes same average annual asset growth rate as above
Total amount of additional income to charity with a 10% payout minimum (2021-2023)	\$223,418,043,645	Sum of estimates for 2021-2023
Revenue Received in Taxes	Estimate	Source
Number of private foundations filing electronically (2018)	56,199	Actuals from IPS analysis of IRS data
Number of foundations filing electronically that paid excise taxes on net income (2018)	23,999	Actuals from IPS analysis of IRS data
Percent of foundations filing electronically that paid excise taxes on net income (2018)	43%	Actuals from IPS analysis of IRS data
Average excise tax on income per foundation (for electronic filers that paid excise taxes) (2018)	\$1,660	Actuals from IPS analysis of IRS data
Total assets for private foundations filing electronically (2018)	\$407,360,489,395	Actuals from IPS analysis of IRS data
Total assets for all foundations (2018)	\$967,000,000,000	From FoundationMark
Percent of total assets represented by electronic filings (2018)	42%	Assets for foundations filing electronically / total assets for all foundations
Actual total excise taxes paid on net income by foundations filing electronically (2018)	\$39,838,624	Actuals from IPS analysis of IRS data
Estimated total excise taxes paid on net income for all foundations (2018)	\$94,569,676	Excise taxes paid by electronic filers / percent of total assets represented by electronic filings in 2018
Percent of foundations filing electronically paying out at less than 5% of assets (2018)	37%	Actuals from IPS analysis of IRS data
Number of foundations filing electronically paying out at less than 5% of assets (2018)	20,734	Actuals from IPS analysis of IRS data
Median payout rate for foundations filing electronically that paid out at less than 5% (2018)	4.2%	Actuals from IPS analysis of IRS data
Total amount of undistributed funds below the 5% minimum requirement (2018)	\$1,694,994,298	Actuals from IPS analysis of IRS data
Estimated percent of foundations filing electronically paying out at less than 10% of assets (2018)	37%	Assumes same non-compliance rate as at 5% minimum
Estimated number of foundations filing electronically paying out at less than 10% of assets (2018)	20,734	Assumes same non-compliance rate as at 5% minimum
Estimated median payout rate for foundations filing electronically paying out at less than 10% (2018)	8.4%	Assumes non-compliant DAFs miss 10% minimum by same ratio by which foundations miss the 5% minimum
Estimated amount of undistributed funds below the 10% minimum requirement for electronic filers (2018)	\$3,389,988,596	Assumes non-compliant DAFs miss 10% minimum by same ratio by which foundations miss the 5% minimum
Estimated amount of undistributed funds below the 10% minimum requirement for all foundations (2018)	\$8,071,401,419	Undistributed funds for foundations filing electronically / total assets for all foundations
Proposed tax rate on undistributed funds below the 10% minimum requirement	30%	Existing excise tax rate on undistributed funds below the 10% minimum
Estimated tax paid on undistributed funds by electronic filers (2018)	\$1,016,996,579	Estimated total amount of undistributed funds below the 10% minimum x 30%
Estimated total taxes paid on undistributed funds by all foundations (2018)	\$2,414,165,628	Excise taxes paid by electronic filers / percent of total assets represented by electronic filings in 2018
Total estimated taxes (2018)	\$2,508,735,304	Estimated tax paid on net income plus tax paid on undistributed funds under the minimum
Five-year average annual growth rate in foundation assets	3.6%	Half of recent historical asset growth rate (average change vs. prior year 2016-2020, from FoundationMark)
Total estimated taxes (2021)	\$2,684,394,427	Assumes same annual asset growth rate as above
Total estimated taxes (2022)	\$2,781,032,626	Assumes same annual asset growth rate as above
Total estimated taxes (2023)	\$2,881,149,801	Assumes same annual asset growth rate as above
Total taxes 2021-2023	\$8,346,576,855	Sum of estimates for 2021-2023

Fiscal Impact of Emergency Charity Stimulus (Donor-Advised Fund Estimates)

The 2020 NPT report is the 2020 NPT Report on Donor-Advised Funds (<https://www.nptrust.org/reports/daf-report/>).

Chronicle of Philanthropy analysis by Alex Daniels & Drew Lindsay ("Flush With \$51 Billion, Donor-Advised Funds Face Questions About Payouts", 10/27/16).

The 2012 IRS analysis is by IRS economist Paul Arnsberger, "Donor-Advised Funds: An Overview Using IRS Data," 2012, p. 61.

2018 private foundation metrics are from IPS's analysis of publicly-available IRS form 990PFs for all private foundations filing electronically.

There is currently no reporting on a national median payout rate for individual DAF accounts; all reporting is on aggregates for sponsor organizations.

Estimates include national, community, and single-issue DAFs.

Additional Distributions to Charities	Estimate	Source
Number of individual DAF accounts (2019)	873,228	2019 data from 2020 NPT report
Average DAF account size (2019)	\$162,556	2019 data from 2020 NPT report
Average aggregate payout rate for DAF sponsor organizations	14%	From 2016 <i>Chronicle of Philanthropy</i> analysis (payout rate for 2013, the most recent year in that analysis)
Proportion by which aggregate DAF payout exceeds median private foundation payout	2.59	Average aggregate payout rates per DAF sponsor as a proportion of median payout rate of private foundations (for 2018 electronic filers)
Estimated DAF account compliance rate with a 10% minimum required payout rate	85.7%	Assumes DAF compliance rate is higher than foundations by the same proportion by which DAF payout exceeds that of foundations
Estimated proportion of individual DAF accounts that pay out at 0%	22%	From 2012 IRS analysis
Estimated number of individual DAF accounts that paid out at 0% (2019)	192,110	Number of individual DAF accounts x percent paying out at 0%
Estimated percentage of 0%-payout DAF accounts increasing to new minimum of 10%	85.7%	Assumes 0%-payout DAF accounts would have same compliance rate as DAFs overall
Estimated number of 0%-payout DAF accounts increasing to new minimum of 10%	164,693	Number of 0%-payout DAFs x percentage of these DAFs that would increase payout to 10%
Average amount of required payout per DAF account at 10% minimum payout rate (2019)	\$16,256	10% of average DAF account size
Estimated additional income to charity from 0%-payout DAFs increasing to 10% (2019)	\$2,677,188,338	Number of 0%-payout DAF accounts that would increase payout to 10% x average amount of required payout at 10% minimum
Average annual DAF asset growth rate	10.4%	From 2020 NPT report (five-year average 2015-2019)
Estimated additional income to charity from 0%-payout DAFs increasing to 10% (2021)	\$3,262,999,982	Assumes same five-year annual asset growth rate as 2019
Estimated additional income to charity from 0%-payout DAFs increasing to 10% (2022)	\$3,602,351,980	Assumes same five-year annual asset growth rate as 2019
Estimated additional income to charity from 0%-payout DAFs increasing to 10% (2023)	\$3,976,996,586	Assumes same five-year annual asset growth rate as 2019
Total amount of additional income to charity 2021-2023	\$10,842,348,547	Sum of estimates for 2021-2023

(DAF estimates continued on next page)

Revenue Received in Taxes	Estimate	Source
Total amount of DAF assets at year-end in 2018	\$122,180,000,000	From 2020 NPT report
Total amount of contributions to DAFs in 2019	\$38,810,000,000	From 2020 NPT report
Total amount of grants from DAFs in 2019	\$27,370,000,000	From 2020 NPT report
Total amount of DAF assets at year-end in 2019	\$141,950,000,000	From 2020 NPT report
Net asset growth from 2018 to 2019	\$19,770,000,000	2019 assets minus 2018 assets
Net asset growth attributable to contributions minus grants	\$11,440,000,000	2019 contributions to DAFs minus 2019 grants from DAFs
Net asset growth attributable to growth in investment income	\$8,330,000,000	Total growth minus growth attributable to contributions & grants
Proposed excise tax rate on net income for all DAFs	1.39%	Flat excise tax rate for foundations, as of tax year 2020
Estimated total excise tax amount on net income for all DAFs (2019)	\$115,787,000	Total DAF asset growth less contributions (2018 to 2019) x 1.39%
Average aggregate payout rate for DAF sponsor organizations	14%	From 2016 Chronicle of Philanthropy analysis (payout rate for 2013, the most recent year in that analysis)
Proportion by which aggregate DAF payout exceeds median private foundation payout	2.59	Average aggregate payout rates per DAF sponsor as a proportion of median payout rate of private foundations
Estimated percentage of DAFs not paying out at 10% minimum	14.3%	Assumes DAF compliance rate would be higher than foundations, by the same proportion by which DAF payout exceeds that of foundations
Estimated number of DAFs not paying out at 10% minimum (2019)	124,622	Number of DAF accounts x non-compliance rate
Estimated median payout rate of DAFs not paying out at 10% minimum	8.4%	Assumes non-compliant DAFs would miss the 10% minimum by the same proportion as foundations
Estimated average amount distributed to charity per non-compliant DAF (2019)	\$13,655	Average DAF account size x median payout rate of non-compliant DAFs
Estimated average amount of undistributed funds below the 10% minimum per DAF (2019)	\$2,601	Amount of required payout per DAF minus amount distributed per non-compliant DAF
Estimated total amount of undistributed funds below the 10% minimum requirement (2019)	\$324,129,148	Number of non-compliant DAFs x average amount of undistributed funds below the 10% minimum requirement
Proposed tax rate on undistributed funds below the 10% minimum requirement	30%	Excise tax rate on undistributed funds below the 5% minimum requirement for foundations, as of tax year 2020
Estimated tax on undistributed funds for all DAFs (2019)	\$97,238,744	Total amount of undistributed funds for non-compliant DAFs x 30%
Annual DAF asset growth rate	10.4%	From 2020 NPT report (2015-2019)
Estimated tax on undistributed funds (2021)	\$118,516,138	Assumes same five-year annual asset growth rate as 2019
Estimated tax on undistributed funds (2022)	\$130,841,816	Assumes same five-year annual asset growth rate as 2019
Estimated tax on undistributed funds (2023)	\$144,449,365	Assumes same five-year annual asset growth rate as 2019
Total tax on undistributed funds 2021-2023	\$393,807,318	Sum of estimates for 2021-2023
Estimated total taxes (2019) (on net income and undistributed funds)	\$213,025,744	Total excise taxes on net income plus total excise taxes on undistributed funds
Annual DAF asset growth rate	10.4%	From 2020 NPT report (2015-2019)
Estimated total taxes (2021) (from both net income and undistributed funds)	\$259,639,186	Assumes same five-year annual asset growth rate as 2019
Estimated total taxes (2022) (from both net income and undistributed funds)	\$286,641,661	Assumes same five-year annual asset growth rate as 2019
Estimated total taxes (2023) (from both net income and undistributed funds)	\$316,452,394	Assumes same five-year annual asset growth rate as 2019
Total taxes 2021-2023	\$862,733,241	Sum of estimates for 2021-2023