Americans' Understanding and Opinions about Charitable Foundations and Donor-Advised Funds

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An initiative of

INEQUALITY.ORG

In cooperation with

the Giving Review

Prepared by SECTOR 3 INSIGHTS

Preface

In today's climate, we are used to seeing polls where public opinion on issues is sharply split along the political axis. Debate is highly polarized, with opposing parties staking out competing positions that seldom converge.

Inequality.org and ***The Giving Review*** might seem to represent opposite poles in such debates – an odd couple for collaboration. And yet, as we came together to discuss what's gone awry in the current state of charitable giving and the incentives our tax system provides to donors, we learned something quite remarkable: we were in near complete agreement about that which should concern the nonprofit sector and policymakers.

We cooperated in this survey to see whether our own experience reflects public opinion more broadly – and the results suggest that it does.

Ask whether human activity is the main cause of global warming, and 88% on the left will say yes, but only 37% on the right. Ask if the government should ensure that everyone has healthcare and 85% on the left will agree, but just 30% on the right. 73% on the right will say the Federal government has too much power, while just 31% on the left will agree. That's polarization.

But ask whether taxpayers should subsidize billionaires and the wealthy in creating foundations that will exist in perpetuity, 77% on the right agree with 87% on the left that they should not. Ask how quickly donors should have to move money out of donor-advised accounts to working charities, 74% of conservatives agree with the 88% of liberals who believe it should be within 5 years or less.

We hope you'll read these survey results, as we do, as encouraging signs that the time is right to consider changing the current system, and that policymakers who explore reform will have strong public support behind them.

Chuck Collins, Inequality.org
Michael Hartmann, The Giving Review

Executive Summary from Ipsos' Omnibus in the USA, February 2024

KEY INSIGHTS

1. Most Americans are unaware of the details of how private foundations and donor-advised funds (DAFs) work, the scale of the nonprofit sector, and the way current tax incentives reward wealthy donors who contribute to private foundations and DAFs. However, **the majority (58%)** are aware that charities are struggling.

2. Many of the proposed policy ideas earn very solid majority support once explained:

   - A **strong majority (83%)** believe that wealthy donors should be required to report large contributions due to the influence such donations may have on nonprofits.
   - Another **83%** agree that taxpayers shouldn't have to subsidize wealthy Americans to create permanent legacy foundations, and **71%** agree that Congress should raise the annual foundation payout from 5% to 10%.
   - A **good majority (75%)** also believe there should be a maximum amount that ultra-wealthy donors can claim to reduce their taxes. This could be a lifetime maximum or an annual cap.

3. When asked how quickly money should be distributed from DAFs, **79% of Americans feel it should be required within 5 years** (with a high portion preferring within 2 years).

4. **These concepts are well supported across the political spectrum** with only small differences between the left and right.

About the Research

- The survey questions were commissioned by Inequality.org and The Giving Review, via Sector3Insights, using the Ipsos omnibus service.
- This was an online quantitative survey, accessible by any internet device.
- It was hosted by Ipsos, in the USA, within their weekly Omnibus service.
- It comprises a quota sample of respondents, representative of the adult American population (weighted to match USA census data).
- 1,005 American adults were interviewed.
- Fieldwork was conducted Feb 15-16, 2024.
- Results would be +/- 3.5% points 95% of the time.
- Results are also shown from a similar set of survey questions asked in June 2022.

Americans are not so aware of the issues affecting DAFs, nor of the accumulation of wealth in them, but they believe charities are struggling

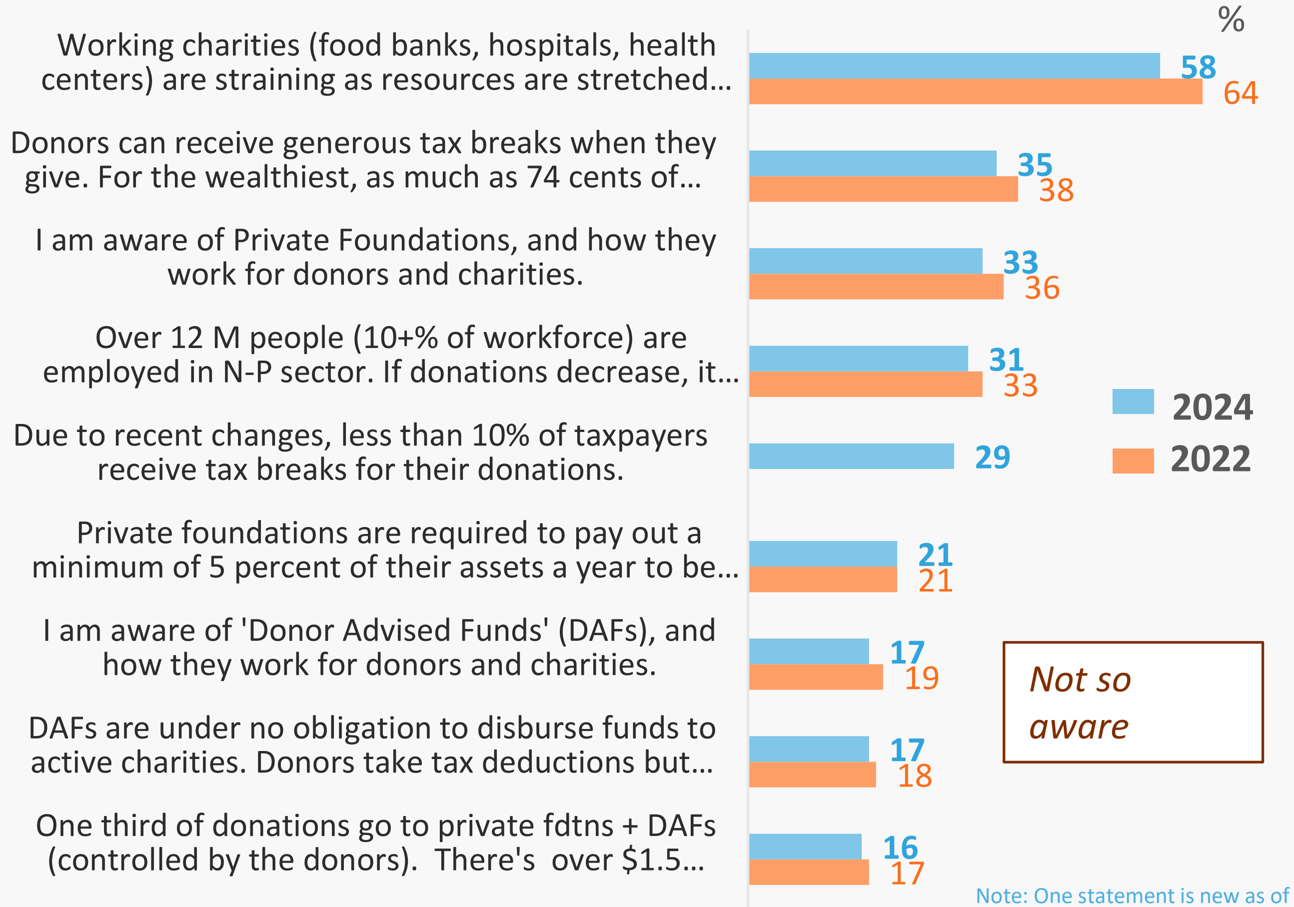
Americans are largely unaware of the characteristics of foundations and DAFs.

- In particular, a low percentage of Americans (less than a third) are aware of the rules affecting DAFs, and how they work for donors.
- Just 16% are aware of the scale of wealth accumulated in foundations and DAFs.

On the other hand, the majority of Americans (58%) believe working charities are struggling.

In short, Americans are not so aware of the role, tax issues, and benefits related to Foundations and DAFs. But as the following pages will show, once made aware, they believe the current rules should change.

AWARENESS OF VARIOUS STATEMENTS/ FACTS



Note: One statement is new as of 2024, and not asked in 2022.

Q. Which of these statements were you aware of before today?
-- See full statement wording on following page...

Question Statement Wording (2024):

1. **Which of these statements were you aware of before today?**

RANDOMIZE ORDER OF LIST FOR EACH RESPONDENT

a) Working charities, such as food banks, hospitals and health centers, and community-based nonprofit organizations are straining as resources are stretched, demand increases, and COVID-related support programs have ended.

b) Over 12 million people (more than 10 percent of the private workforce) are employed in the non-profit sector (such as in organizations assisting seniors, homeless people, educational institutions, non-profit hospitals, animal welfare, environmental protection, etc.). If donations decrease, it puts a lot of the economy at risk (a lot of lost jobs).

c) Donors can receive generous tax breaks when they give to charity. For the wealthiest donors, as much as 74 cents of each dollar they give is subsidized by taxpayers in the form of lost tax revenue.

d) More than one third of all individual charitable donations now go into private foundations and 'Donor Advised Funds' controlled by the donors themselves. And there is a lot of money accumulated there: over $1.5 trillion in Private Foundations, and over $229 billion in 'Donor Advised Funds'.

e) Private foundations are required to pay out a minimum of 5 percent of their assets a year to be granted to qualified charities and/or to cover their overhead administration costs.

f) Donor-advised charity funds (DAFs) are under no obligation to disburse any funds to active charities each year. Donors take tax deductions when they contribute to DAFs but there is no mandated payout.

g) I am aware of 'Donor Advised Funds' (DAFs), and how they work for donors and charities.

h) I am aware of Private Foundations, and how they work for donors and charities.

i) As a result of recent changes in the law, only a very small number of taxpayers – less than 10 percent – receive tax breaks for their donations.

Despite the low awareness, as Americans are made aware of the facts, most are *not* supportive of the current situation and would like change

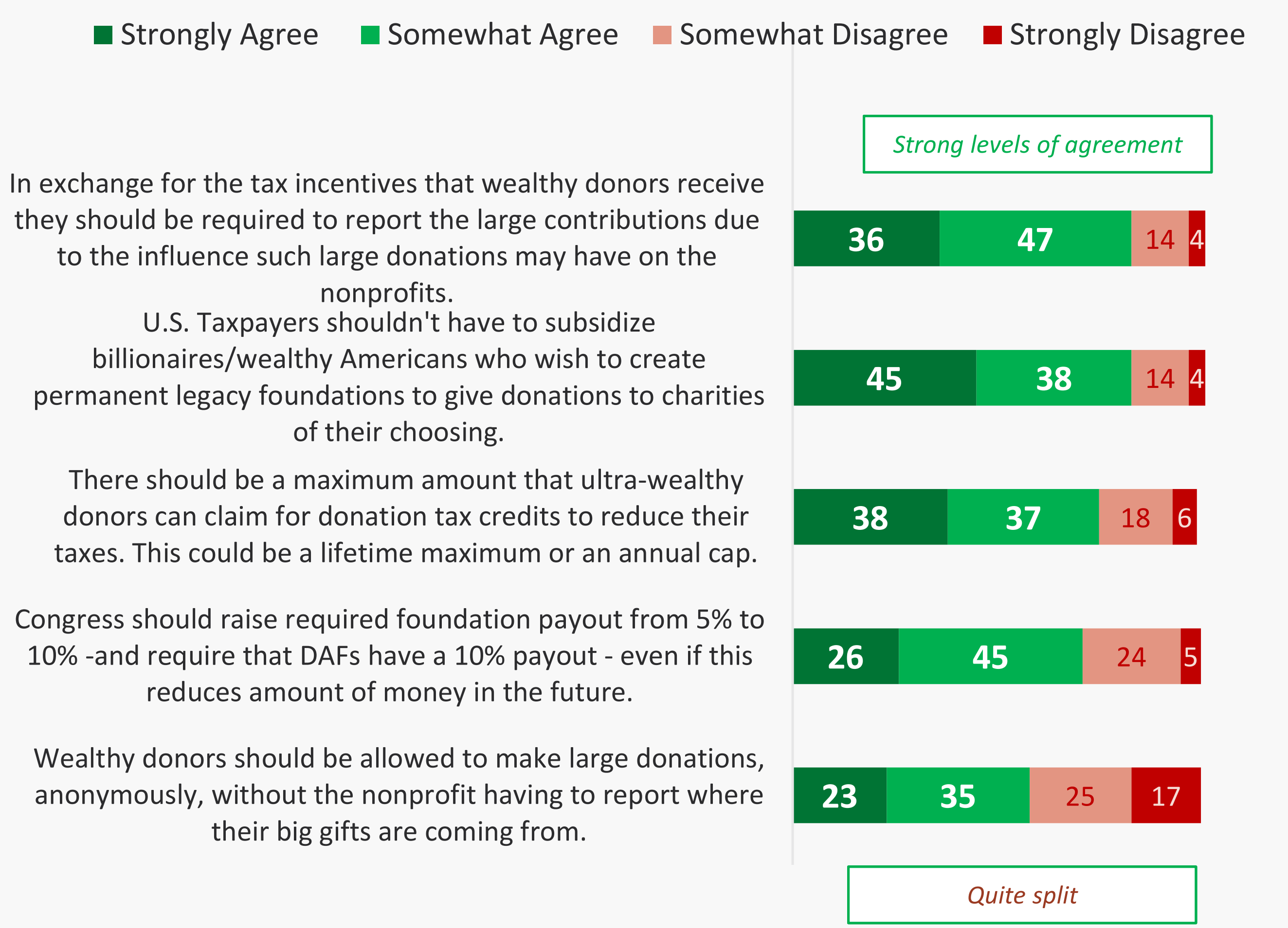
There is a very high level of agreement (83%) among Americans that large charitable donations should be reported due to their possible influence.

An equally high number (83%) are not supportive of wealthy donors being subsidized for their donations to create private legacy foundations.

A significant majority (71%) believe Congress should raise the annual payout rate for private foundations and require the same for DAFs.

The population is split on the issue of anonymous donations (as long as the concern of *influence* is not an issue as summarized in the first point, above).

How Much Agree or Disagree with Statements



Q. Which of these statements were you aware of before today?
-- See full statement wording on following page…

Question Statement Wording (2024):

2. How much do you agree or disagree with the following?

SCALE: Strongly agree, Somewhat agree, Somewhat disagree, Strongly disagree

RANDOMIZE ORDER OF LIST FOR EACH RESPONDENT

a) Congress should raise required foundation payout from 5 percent of assets to 10 percent annually -and require that donor-advised funds have a 10 percent payout to active charities - even if this reduces the overall amount of money in these foundations and DAFs in the future.

b) U.S. Taxpayers should not have to subsidize billionaires and other wealthy Americans who wish to create permanent legacy foundations that will exist in perpetuity to give donations to charities of their choosing.

c) Billionaires are opting out of paying their fair share of taxes, thanks to the charitable deduction. There should be a limit or maximum amount that ultra-wealthy donors can claim for donation tax credits to reduce their taxes. This could be a lifetime maximum (accumulated over the years) or perhaps an annual cap for each income tax year. Once a wealthy donor goes above their limit, they cannot claim tax benefits for this amount beyond the maximum.

d) In exchange for the tax incentives that wealthy donors receive (from the public purse) for their charitable donations, they should be required to report the large contributions due to the influence such large donations may have on the nonprofits.

e) Wealthy donors should be allowed to make large charitable donations to nonprofits, anonymously, without the nonprofit having to report where their big gifts are coming from.

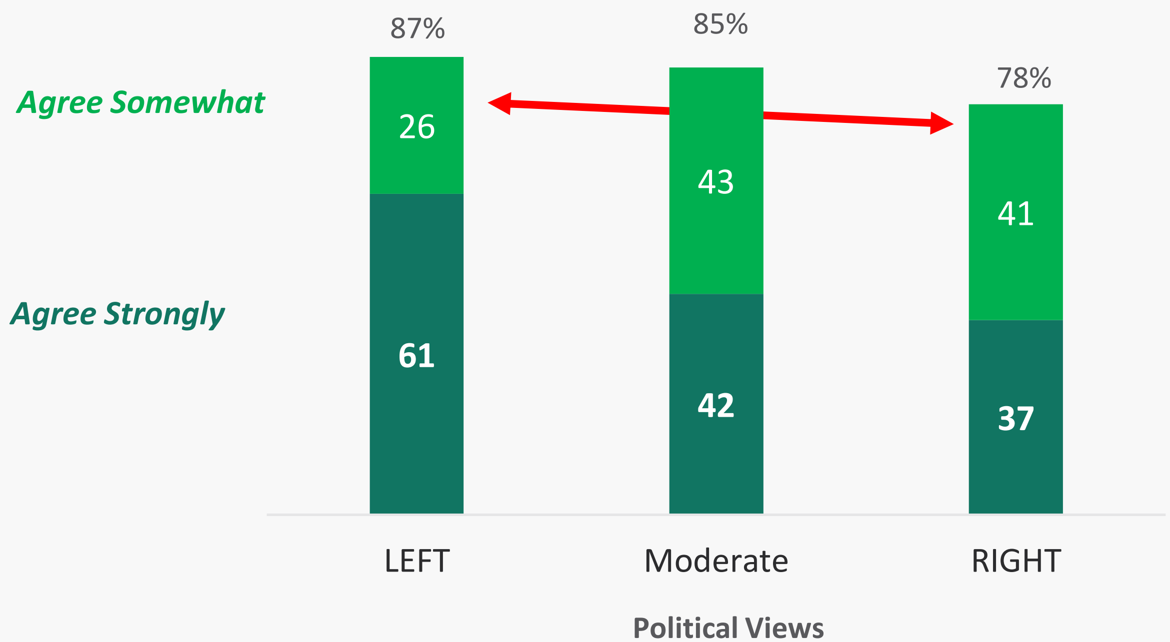
There is high agreement across the political spectrum that taxpayers should not be subsidizing wealthy donors to create permanent legacy foundations

This is a popularly supported concept, by all types of voters. The absolute levels of agreement are very high, leaving little doubt... and low political risk for any policymakers who may consider this policy.

- **The results are strong across political views, household income, race, age, and gender.**

How Much Agree or Disagree with Statement:

U.S. Taxpayers should not have to subsidize billionaires and other wealthy Americans who wish to create permanent legacy foundations that will exist in perpetuity to give donations to charities of their choosing.



Q. Which of these statements were you aware of before today?
-- See full statement wording on following page...

Most agree that large donations should be reported

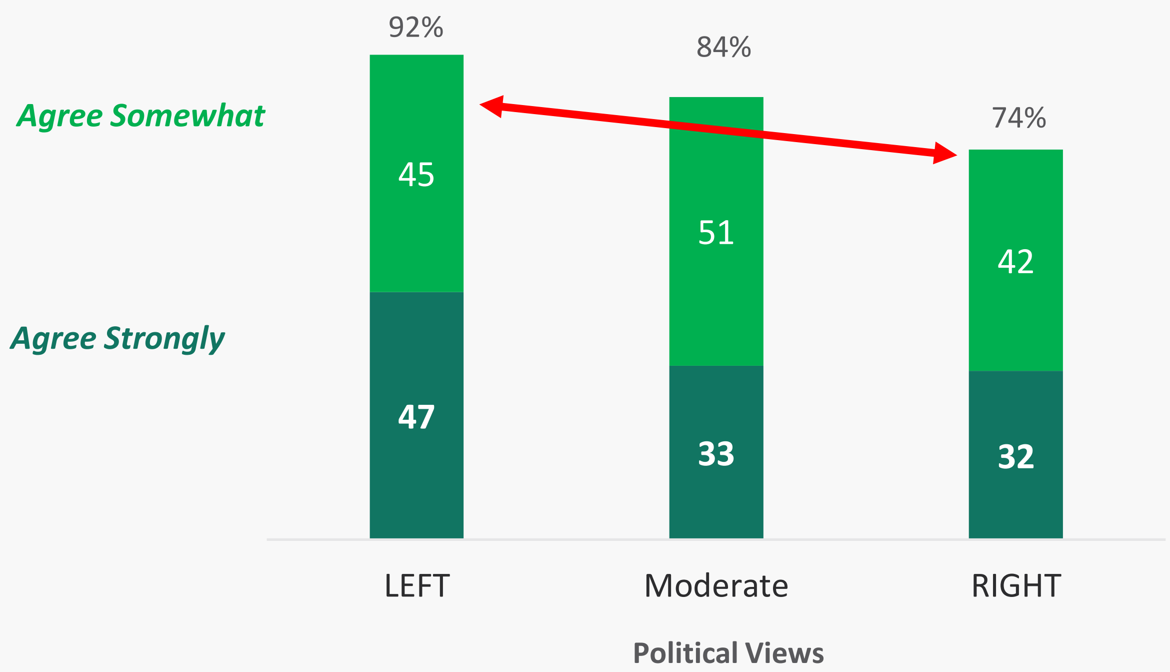
There is also strong agreement that high value donations should be reported due to the influence such large donations may have.

- This is very well supported among left-leaning Americans (92%)
- And also among those on the right side of the political spectrum (74%).
- Agreement is slightly stronger among higher income households

Overall, this policy idea is popularly supported.

How Much Agree or Disagree with Statement:

In exchange for the tax incentives that wealthy donors receive (from the public purse) for their charitable donations, they should be required to report the large contributions due to the influence such large donations may have on the nonprofits.



Q. Which of these statements were you aware of before today?
-- See full statement wording on following page…

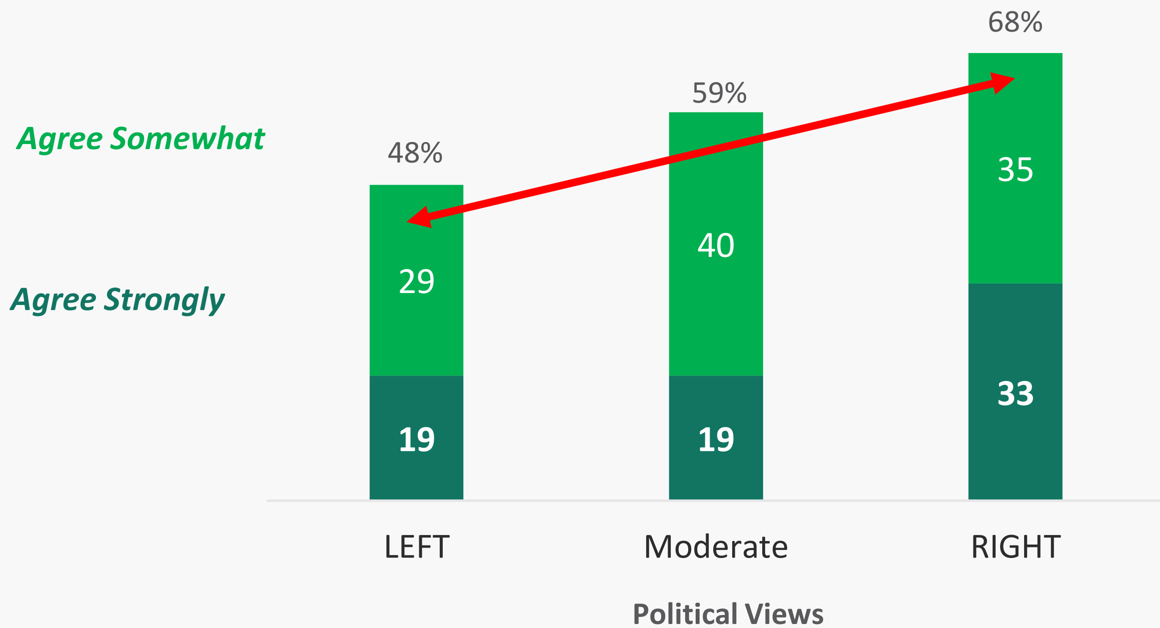
The difference between this statement and the prior one about reporting big gifts hinges on the concept of potential ***influence***

Fewer Americans are concerned about anonymous giving, especially on the right side of the political spectrum. They feel anonymous giving is acceptable.

Only when the idea of *possible influence* is mentioned do people become more concerned. The potential threat of negative influence changes how people feel about disclosure versus anonymity.

How Much Agree or Disagree with Statement:

Wealthy donors should be allowed to make large charitable donations to nonprofits, anonymously, without the nonprofit having to report where their big gifts are coming from.



Q. Which of these statements were you aware of before today?
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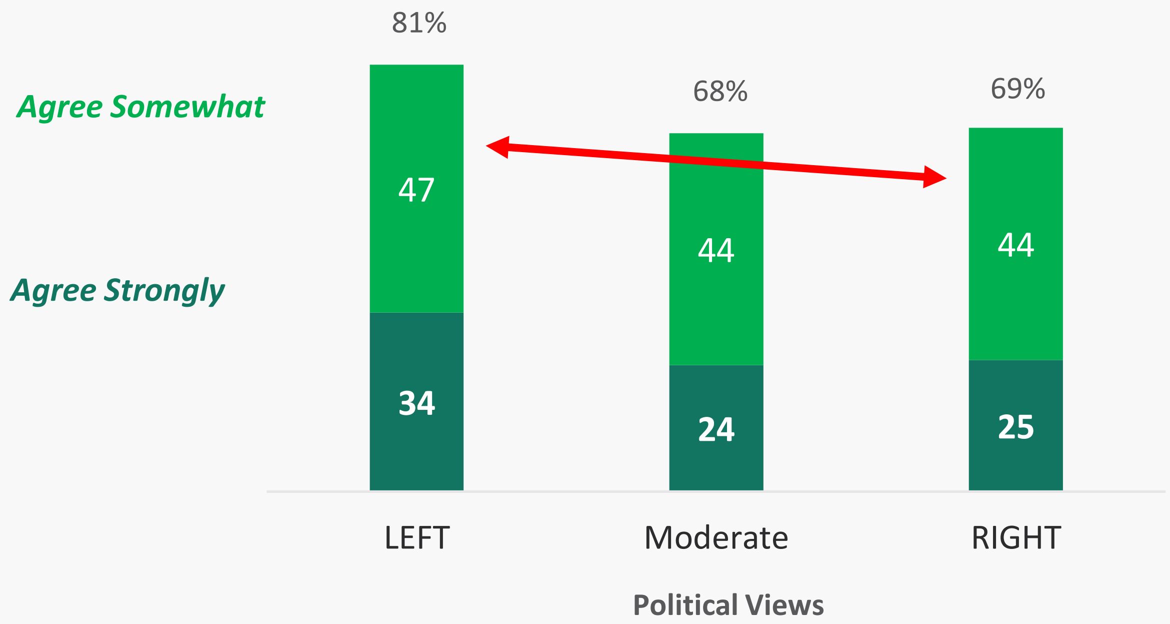
The idea of raising required foundation payout is also quite well supported by all

This idea is also well supported across the political spectrum.

- Furthermore, high-income households agree strongly (80%). They have higher agreement than lower-income households (65-59%).

How Much Agree or Disagree with Statement:

Congress should raise required foundation payout from 5 percent of assets to 10 percent annually -and require that donor-advised funds have a 10 percent payout to active charities - even if this reduces the overall amount of money in these foundations and DAFs in the future.



Q. Which of these statements were you aware of before today?
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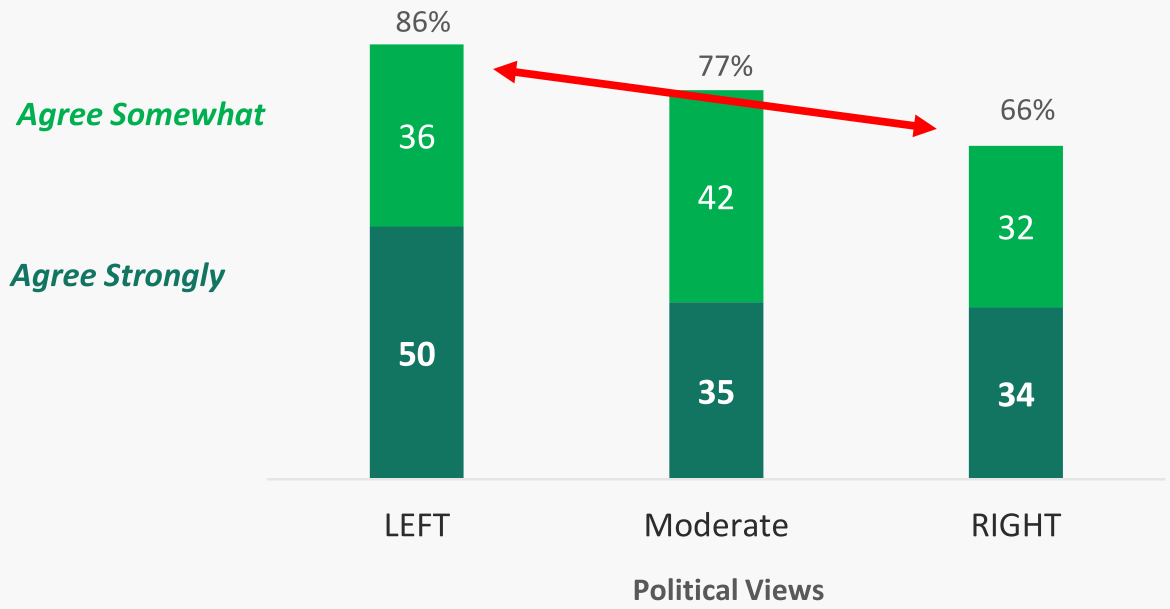
Imposing lifetime limits on tax deductions for donations receives strong support, although this policy is a little stronger on the left than the right

On the left, we see agreement of 86%. This is a very high level in support of lifetime limits on claimed charitable deductions.

On the right, we see lower support, (66%), which is still a solid majority.

How Much Agree or Disagree with Statement:

Billionaires are opting out of paying their fair share of taxes, thanks to the charitable deduction. There should be a limit or maximum amount that ultra-wealthy donors can claim for donation tax credits to reduce their taxes. This could be a lifetime maximum (accumulated over the years) or perhaps an annual cap for each income tax year. Once a wealthy donor goes above their limit, they cannot claim tax benefits for this amount beyond the maximum.



Q. Which of these statements were you aware of before today?
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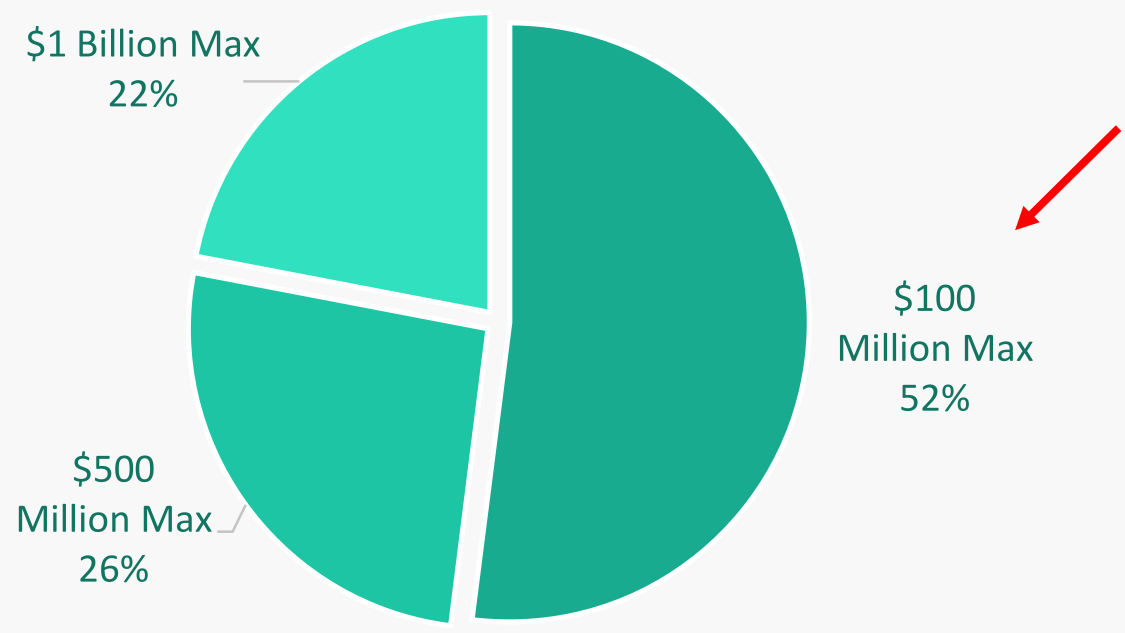
Among those supporting donation limits, the threshold level is a little uncertain, but skewed towards lower levels

Among the 74% who feel there should be some sort of lifetime limit for charitable tax deductions, half (i.e. 37% overall) feel it should be set at $100 million. Others feel it should be higher.

- There are **no** significant differences in the results by household income level.
- Nor by political leaning.

Most Appropriate Lifetime Maximum Donors Can Claim



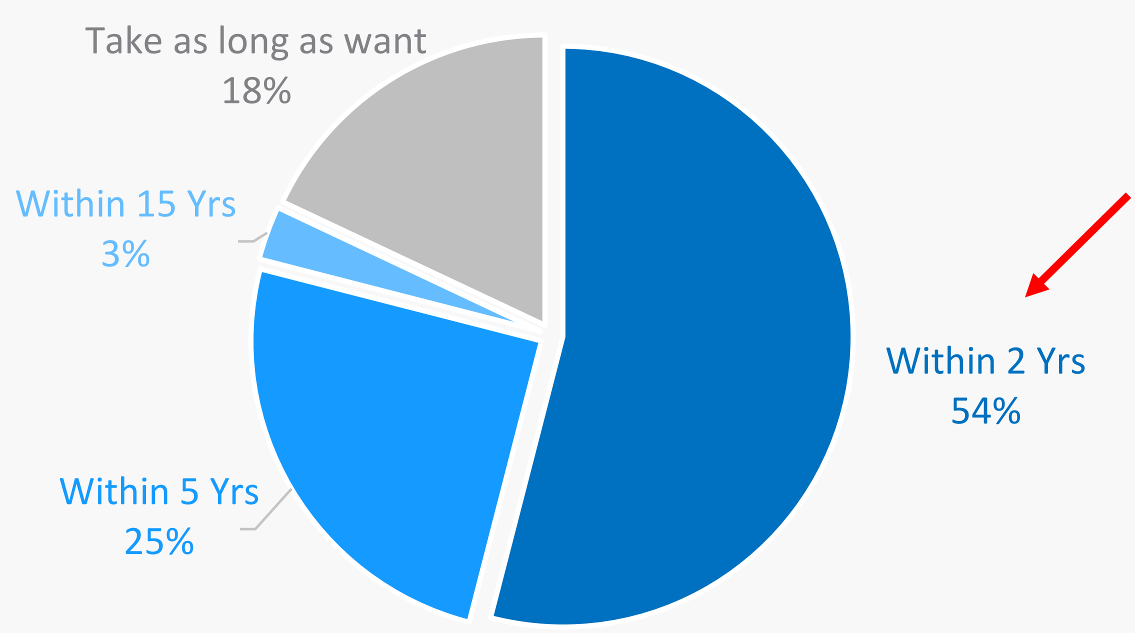
Q. THOSE WHO AGREED WERE ASKED: Earlier, you indicated agreement that there should be a limit or maximum amount which ultra-wealthy donors can claim for donation tax credits to reduce their taxes. Which of the following do you feel is the most appropriate 'life-time' maximum amount donors can claim for tax credits?

Although 70+% of Americans support requiring an annual distribution rate of 10% for DAFs, most feel money should move much more quickly

These facts may be the most telling. Not only are Americans supportive of a higher payout, they support a relatively short timeline for grant-making:

- Half want the grants made within just two years.
- And a total of 79% want the payout within five years. This has increased from 72% in 2022.
- The concept of perpetuity has dropped from 25% to 18% over the past two years.

How Quickly To Grant Money from DAF Accounts

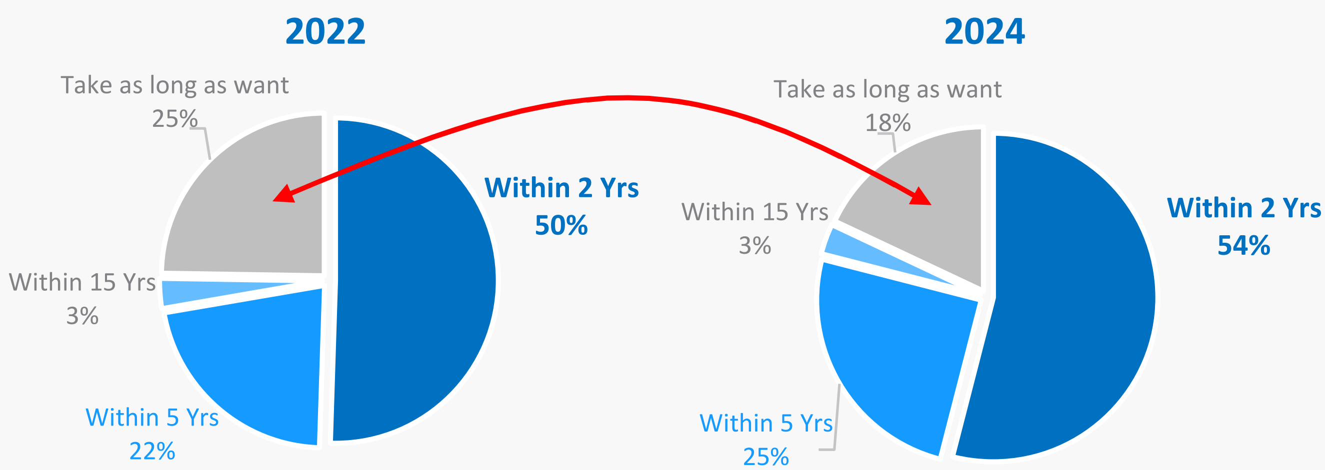


Q. Donors who get up front tax breaks when they put money into their donor advised charity accounts (DAFs) should have to grant that money to working charities within…?

Requiring quicker grant-making is widely supported across the spectrum, and more so than in 2022

We see very strong support for the quick movement of funds, and more so over the past two years.

How Quickly To Grant Money from DAF Accounts

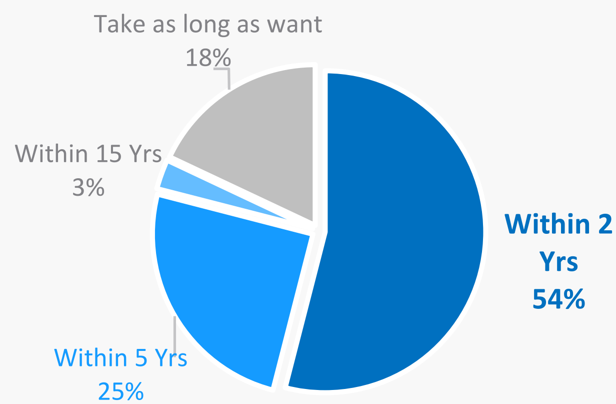


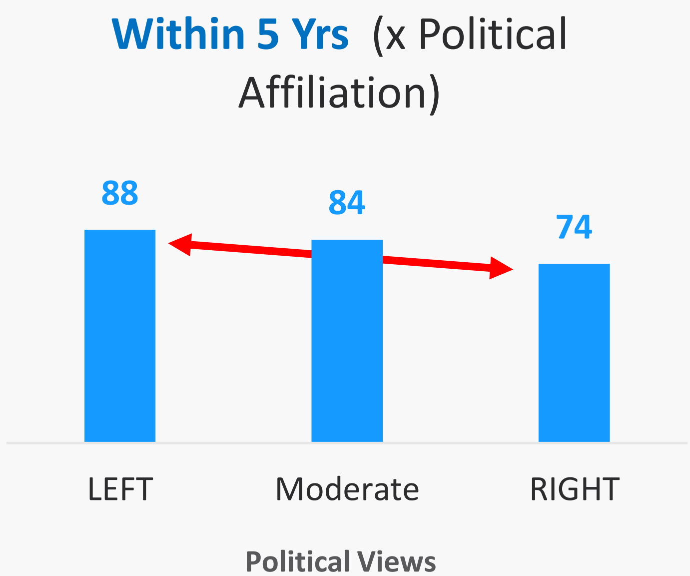
Q. Donors who get up front tax breaks when they put money into their donor advised charity accounts (DAFs) should have to grant that money to working charities within…?

Requiring quicker grant-making is also widely supported across the political spectrum

Although the political right is a bit less supportive, the large majority still support the quick movement of funds across the spectrum.

How Quickly To Grant Money from DAF Accounts





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