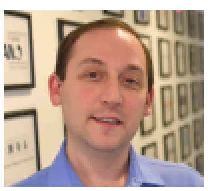
Published on National Council of Nonprofits (https://www.councilofnonprofits.org)

Original URL: https://www.councilofnonprofits.org/articles/2018-individual-giving-data-whats-bottom-line

2018 Individual Giving Data: What’s the Bottom Line?

By: Rick Cohen

The last few weeks have been filled with headlines about the state of individual giving to nonprofits in 2018. Depending on what you read, overall giving statistics show either new record highs or portend disaster. And, whether those indicators are positive or negative, it’s all because of the changes to the tax law – unless it isn’t. So, what’s the real story and what does it mean for your nonprofit?



Rick Cohen,
Chief Communications Officer/
Chief Operating Officer

Before diving into the data, it’s important to remember that the experience for each nonprofit is going to be different. For every story of nonprofits struggling with declining giving in 2018, there is another story of nonprofits expressing that they saw no change. As with any other area of nonprofit operations, we should all be aware of broader trends, but find the right path for our individual organization and mission.

What do the data show?

A quick caveat about these (and forthcoming) reports: the numbers don't match because all data about individual giving are imperfect. Each report draws from different sources. The first two reports draw from database platforms that nonprofits purchase to track giving to their organization, so the data come from only a portion of nonprofits and extrapolate broader numbers. Even IRS data on the subject have been imperfect because it draws only from tax returns of the approximately 30 percent of taxpayers who itemize deductions on their taxes – and that data will become even more imperfect as a projected 28 million fewer people will itemize as a result of the new federal tax law. One of the potential benefits of a universal charitable deduction, open to all Americans, is that giving data from the IRS could provide the clearest picture yet of actual individual giving. But prospects for that proposal are uncertain. That said, let's look at that data…

GOOD: Overall giving was up by around 1.5 percent in 2018. (Fundraising Effectiveness Project indicates 1.6 percent, Blackbaud Institute for Philanthropic Impact indicates 1.5 percent.)

NOT SO GOOD: That increase did not keep up with the pace of inflation, which was 2.44 percent.

While overall giving remained relatively flat (and actually declined slightly when considering inflation), there was a disparity among the recipients. The aggregate numbers reveal that an increased percentage of money flowed as larger gifts to larger institutions. So, while overall giving increased, it's likely that this increase wasn't seen by the small and mid-size nonprofits that make up the overwhelming majority of the nonprofit community.

GOOD: Contributions of $1,000 or more increased by 2.6 percent.

NOT SO GOOD: Contributions of less than $1,000 dropped by more than 4 percent.

It's possible that these opposite trends are both the result of the new tax law. Some larger gifts may have been motivated by taxpayers who needed to give just a little bit more to reach the new, higher threshold to itemize. At the same time, the nearly-doubled standard deduction moved itemizing further out of reach for other taxpayers, removing the incentive to give. Again, the challenge is that many of those “smaller” gifts are the ones that small and mid-size nonprofits rely upon to deliver services in their communities.

ALSO NOT GOOD: A study from United Way released earlier this year shows a significant decrease (from 52 percent to 40 percent) in non-itemizers donating to nonprofits over the decade from 2004 - 2014. Giving by itemizers also decreased from 88 percent to 82 percent.

ALSO NOT GOOD: The Colorado Secretary of State found: “Although the total number of Colorado based charities is higher than last year, the total contributions the received in 2018 are over $33 million lower …. While a small decrease overall, this may be related to the 2017 Tax Cuts and Jobs Act, which made it less likely that people receive deductions for their charitable donations.”

Are these trends a result of the new tax law?

Ok. Time for the answer to the million-dollar question… Yes, and no, and maybe. Unless your nonprofit is specifically surveying all of your former and continuing donors asking them why they stopped or changed the amounts they gave last year, motivation for changes is difficult to discern. Was it the tax law? Was it the stock market’s steep dive in December? Was it giving fatigue at the end of a year with several disasters? Did some people give more to political campaigns in the election year and less to charitable nonprofits? Donors are likely taking a number of things into account when deciding if or how much to give.

Here at the National Council of Nonprofits, we believe that the full impact of the tax law will not be known for at least another year, and likely longer. Few Americans calculated their tax liability for 2018 during the year, and fewer adjusted their charitable contributions as a result. As April 15, 2019 approaches, many people will be seeing the effects of the tax law on their own finances for the first time. Upon finding they will no longer be itemizing and, as a result, no longer having access to the charitable deduction, will that change their giving? We don’t know.

What now?

If giving to your nonprofit remained consistent or grew last year, keep up the good work! Know that there are some trends out there to keep an eye on, but if your donor engagement plan is working, keep working it.

If your nonprofit experienced a decline in giving, look at your fundraising plan. Are you engaging donors year-round or continuing to lean on the December "Be Sure to Lock in Your Tax Deduction"-style messages? Have you reached out to lapsed donors to learn why they stopped supporting your organization? A good feedback loop and some minor adjustments may be all that's needed to get back on track.

Either way, be sure to check out the other stories in this month's *Nonprofit Knowledge Matters.* One is about strengthening the sustainability of your organization. The other is about advocacy efforts across the country as state tax law changes under consideration in 42 states can affect nonprofit bottom lines, both in affecting revenue from charitable giving and expenses from new taxes being imposed.

Remember that, whatever the broader trends or external factors regarding giving to nonprofits overall may be, people are not donating to the nonprofit sector; they are donating to your organization, your mission, your work, and your impact in the community