



How the 2017 Tax Law Made Itemized Charitable Giving a Luxury Good

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Key Points

- This report examines the effect of itemized charitable giving, as tracked by the IRS, following the enactment of the Tax Cuts and Jobs Act of 2017.
- It finds that such giving, measured as a percentage of adjusted gross income, decreased overall because far fewer households itemized their tax returns.
- As a result, only the most affluent taxpayers, who continued to itemize their tax returns, retained a tax incentive for charitable giving.

The Tax Cuts and Jobs Act (TCJA) of 2017 included some of the most far-reaching changes to the US income tax code in a generation. In addition to reducing statutory tax rates for individuals and corporations, the law adjusted the tax base. Among its most significant changes to the individual tax code, the TCJA reduced the value of two widely claimed itemized deductions—state and local taxes (SALT) and mortgage interest—while preserving and enhancing the itemized deduction for charitable contributions. At the same time, by nearly doubling the standard deduction, it sharply increased the percentage of tax-filing households choosing not to itemize deductions.

This report explores the net effects of these changes on itemized deductions for charitable giving. Charitable giving overall includes donations by foundations and corporations, but our focus is on individual households. The report uses national- and state-level IRS data from before and after the TCJA to review the combined impact on charitable giving of three policy changes: the increase in the standard deduction, limits on what had previously been the most commonly claimed itemized deductions (specifically, SALT), and the continued

availability of a generous tax deduction for charitable giving. It examines, further, whether various income groups have changed their itemized charitable giving and discusses possible explanations. With most provisions of the TCJA set to expire in 2025, the report concludes by discussing whether and how a revised tax code should encourage a rebound in charitable giving among individuals.

Note that the IRS data on which we rely account for only itemized donations and do not include all donations, many of which are made by households that do not itemize their tax returns. Nevertheless, recent survey research indicates that overall charitable giving, not just itemized donations, is also declining.¹

Key Findings

Comparing data for the eight tax years leading up to the TCJA (2010–17) to those in the first four years after it took effect (2018–21)² reveals the following changes:

1. The share of taxpayers choosing to itemize deductions dropped from a pre-TCJA average

of 30 percent to just 7.5 percent of all returns post-TCJA.

2. The average share of total adjusted gross income (AGI) devoted to itemized charitable giving fell by 28 percent, even though AGI increased. Put another way, more income was available for charitable giving, yet less of it was funneled to deductions for that purpose. Total itemized deductions for charitable giving would have been \$80 billion higher in 2021 if they remained at the average 2010–17 level of AGI. Because of the more generous standard deduction, taxpayers did not take advantage of the charitable giving deduction to compensate for the newly limited SALT deduction.
3. Despite the significant decline in itemizing by average share of AGI, total itemized donations in 2021 were \$26 billion (or 11 percent) higher than in 2016. Increases in charitable giving deductions among tax filers earning more than \$500,000 a year more than offset, at least in nominal dollars, the sharp decline in itemized deductions by taxpayers in lower income brackets.

The Tax Code and Charitable Giving

A tax incentive for charitable giving in the US dates to the Revenue Act of 1917, which followed the adoption of the 16th Amendment authorizing an income tax.

The Revenue Act of 1917 established, for the first time, an individual income tax deduction for contributions made to tax-exempt charitable organizations. This deduction was conceived as a way to encourage charitable contributions at a time when income tax rates were rising in order to fund World War I.³

The tax incentive may be part of the reason the US is often named the world's most charitable nation. According to the Charities Aid Foundation, as of 2016, US households contributed far more as a percentage of gross domestic product (1.44 percent) to charity than

the next-closest nation (New Zealand, 0.79 percent) or the third (Canada, 0.77 percent).⁴

Over time, the charitable tax deduction, which is applied to estates, corporations, and individual households, became the federal government's 10th-largest tax expenditure—that is, a category of revenue the Treasury Department forgoes because of the tax code.⁵ The decline in itemized charitable giving following the TCJA's enactment represents a decline in the value of this tax expenditure; in other words, the Treasury had to forgo less revenue (at least related to the charitable giving deduction) because fewer households itemized their tax returns and claimed a deduction for charitable giving.

Economists and tax policy analysts anticipated the decline in itemized donations. Soon after the TCJA's enactment, Alex Brill and Derek Choe concluded that “the law will reduce charitable giving by \$17.2 billion (4.0 percent) in 2018 according to a static model and \$16.3 billion assuming a modest boost to growth.”⁶ The actual fall in itemized donations turned out to be even larger, from \$256 billion (2017) to \$197 billion (2018).⁷ This indicates that the TCJA had a greater effect than was anticipated.

Itemized Donations as a Share of AGI. From 2010 through 2017, total itemized giving as a share of AGI averaged 2.2 percent a year. From 2018 to 2021, itemized deductions for charitable giving fell to an annual average of 1.7 percent. In other words, if the percentage of AGI had not declined, some \$252 billion in itemized charitable contributions would have been made over the period 2018–21. This decrease is especially significant because overall AGI increased during the same period, from \$10.9 trillion to \$11.6 trillion—meaning that more income had become available for charitable giving. In addition, the TCJA increased the percentage of AGI that can be deducted for charitable giving from 50 to 60 percent.⁸

The decline in itemized charitable giving as a share of income was much greater among middle-class and upper-middle-class taxpayers than among those in the two highest income brackets. As shown in Table 1, the largest proportionate decline in itemized giving relative to AGI was among households with incomes below \$500,000, which also were most likely to shift from itemized to standard deductions. The average share

Table 1. Itemizers, Tax-Deducted Charitable Contributions, and Tax-Deducted Charitable Giving as a Share of Income, 2010–17 and 2018–21

| AGI Range | 2010–17 Annual Average | | | 2018–21 Average | | |
|---------------------|------------------------------|---|---|------------------------------|---|---|
| | Share of Filers Who Itemized | Charitable Contributions (Thousands of Dollars) | Share of AGI for Charitable Contributions | Share of Filers Who Itemized | Charitable Contributions (Thousands of Dollars) | Share of AGI for Charitable Contributions |
| All Returns | 30.96% | \$208,014,031 | 2.19% | 10.31% | \$212,561,769 | 1.67% |
| Under \$1 | 0.00% | \$0 | 0.00% | 0.00% | \$0 | 0.00% |
| \$1–\$24,999 | 6.24% | \$2,860,603 | 0.62% | 1.45% | \$619,562 | 0.18% |
| \$25,000–\$49,999 | 21.67% | \$13,905,029 | 1.11% | 4.12% | \$5,278,563 | 0.39% |
| \$50,000–\$74,999 | 42.52% | \$19,010,010 | 1.58% | 10.00% | \$8,523,127 | 0.63% |
| \$75,000–\$99,999 | 58.51% | \$19,911,901 | 1.84% | 15.34% | \$9,643,331 | 0.78% |
| \$100,000–\$199,999 | 79.29% | \$48,431,227 | 2.13% | 23.01% | \$33,588,530 | 1.10% |
| \$200,000–\$499,999 | 94.30% | \$31,042,544 | 2.28% | 43.10% | \$34,705,376 | 1.58% |
| \$500,000–\$999,999 | 94.72% | \$12,938,485 | 2.51% | 61.17% | \$17,963,419 | 2.10% |
| \$1,000,000+ | 94.01% | \$58,291,079 | 4.53% | 73.95% | \$101,620,299 | 4.56% |

Source: Internal Revenue Service, “SOI Tax Stats—Historic Table 2,” February 29, 2024, <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.

of itemized donations dropped from 2.5 percent to 2.1 percent of AGI among those with incomes between \$500,000 and \$1 million. However, average annual charitable contribution deductions as a share of income actually increased slightly, in nominal dollars, in the highest bracket reported by the IRS—those earning above \$1 million. Charitable deductions by those earning over \$1 million averaged 4.6 percent of AGI per year from 2018 through 2021, compared to an average of 4.5 percent from 2010 through 2017.

Changes to the SALT Deduction. One of the TCJA’s most significant changes was capping SALT deductions at \$10,000. This was not too far below the \$13,250 average SALT deduction claimed among itemized returns as of 2017, but it was less than half the average SALT deduction in California (\$20,399) and New York (\$23,737), the two states responsible for 22.25 percent of all itemized charitable giving pre-TCJA and 25.03 percent post-TCJA.

The states with the highest state and local taxes are also the states whose households contribute the most to charity, as measured by itemized deductions. Thus, the question arises as to whether, post-TCJA, households in these states took advantage of the still-generous charitable contribution deduction. After the tight SALT cap was enacted, the charitable contribution deduction

became one of the most significant ways high earners in high-tax states could maintain a high overall level of itemized deductions and thereby reduce their net tax burdens.

However, the SALT cap did not drive high-income households in these states to take advantage of the charitable contribution deduction. As noted above, this does not definitively mean these households gave less to charity—only that their itemized donations fell. A comparison of itemized charitable giving before and after the TCJA’s enactment shows little correlation with average pre-2018 SALT deduction levels. As shown in Table A1, among all 50 states and the District of Columbia, increases in itemized giving relative to income occurred in only two states: Arkansas, where itemized donations rose 32 percent, and South Dakota, where itemized giving as a share of AGI went up 1 percent. In both states, SALT deductions as a share of income were well below the national average before 2018.

In all other jurisdictions, itemized donations as a share of income decreased by an average of 30 percent. The 10 states with below-average decreases in itemized giving included Florida and Texas, where pre-TCJA SALT deductions were low, and California and New York, where pre-TCJA SALT deductions ranked among the highest in the country. Itemized giving declined at levels close to the national average in Connecticut and

New Jersey, two other states with exceptionally high SALT deduction levels under the previous tax law. The statistical correlation between the post-TCJA change in average itemized charitable contributions and pre-TCJA average SALT deductions is a negligible -0.0105 , suggesting virtually no consistent state-by-state relationship between the two.

Charitable Giving in Higher Tax Brackets. There were some exceptions to the decline in the percentage of AGI for itemized charitable contributions. The highest-earning group (over \$1 million) in Maryland, another state with high state and local taxes and historically high itemized charitable giving, increased its AGI share devoted to charity by 1.66 percent. In New York state, the same figure rose, albeit slightly, from 4.85 percent to 4.93 percent.⁹

Such variation is not necessarily related to tax law. Before the TCJA, the change in giving as a share of income in the top bracket ranged from a low of 3.90 percent in 2010 to a high of 5.45 percent in 2016.

While the number of itemizers decreased in all income categories post-TCJA, the remaining itemizers in affluent and high-earning households—those earning above \$500,000—maintained or increased their total giving to sufficiently make up for declines in itemizing among filers in lower brackets.

Further contributing to this trend was the increase in the cap on itemized deductions for cash charitable giving, from 50 percent of AGI under pre-TCJA law to 60 percent of income starting in 2018. Since the highest earners generally have the most disposable cash income, they also gained the most from the change in the contribution limit. Put another way, tax-incentivized charitable giving has, post-TCJA, become a luxury good.

It's worth noting that the value of the charitable giving deduction for those who claim it increases with income. The subsidy is worth \$0.37 per \$1 donated for high-income earners, but for those who claim it and are not in the top bracket, the incentive is less, whatever their marginal tax rate is. This may argue for the adoption of a charitable tax credit, rather than an itemized deduction, in the interest of tax fairness.

The increase to date in the value of itemized charitable giving does not necessarily imply that charitable giving overall is on the rise. Survey data compiled by the Indiana University Lilly Family School of Philanthropy

for the annual Giving USA report estimate that total charitable giving decreased in 2022, “a relatively rare occurrence usually seen during years with difficult or unusual economic conditions.”¹⁰ The report estimates that individual household giving, including contributions not itemized on tax forms, totaled just over \$319 billion in 2022. This represented a 6.4 percent decline in nominal terms (or an inflation-adjusted 13.4 percent) from 2021.

Indeed, preliminary 2022 IRS data reinforce such conclusions.¹¹ Total itemized charitable giving among individual taxpayers declined by 3.5 percent in 2022, to \$257.6 billion from \$266.9 billion in 2021. For the same period, the number of taxpaying households claiming itemized donations was almost unchanged at 12,148,652, down just 0.3 percent. And relative to income, itemized donations as a share of AGI came to 1.70 percent—virtually matching the four-year average of 1.67 percent for 2018 through 2021.

Mitigating Factors

Tax law is important but nonetheless only one of many factors—including stock market valuations and growth of the larger economy—that influence charitable giving.

Capital Gains. Why did charitable giving decrease from 2021 to 2022? Because high earners are most likely to claim the charitable contribution deduction, the most likely explanation was a significant decrease in net capital gains, reflecting a sharp reduction in stock prices after two years of strong Wall Street returns. The number of individual income tax returns with net capital gains dropped from 25 million in 2021 to 17 million in 2022, and the total amount of capital gains income decreased from \$2 trillion to \$1.6 trillion. According to the preliminary data, 92 percent of that \$400 billion decrease in capital gains was concentrated among taxpayers with incomes higher than \$200,000.¹²

Just as households earning more than \$200,000 accounted for all the net increase in itemized charitable contribution deductions after TCJA took effect, the decline in itemized charitable giving was likely driven largely by a sharp decrease in capital gains income flowing mostly to the same high-income taxpayers. In fact, given the size of the decrease in total capital gains, it's somewhat surprising that itemized charitable giving was down so slightly. In a year when capital gains were

down \$400 billion, itemized charitable giving decreased only \$9 billion.¹³

The increase in the nominal total charitable giving deductions, despite the sharp decrease in total itemizers, highlights that multiple factors affect charitable giving by individuals. In addition to the tax code, macroeconomic conditions and stock market valuations play an influential role.

In 2019, for instance, net capital gains increased nationwide by an impressive \$864 billion, and the share of AGI devoted to itemized charitable giving was 1.58 percent. An even larger capital gains total was recorded in 2020—\$1.1 trillion—and itemized charitable giving as a percentage of AGI rose to 1.61 percent.¹⁴

These increases helped mitigate what would have been an even larger decline in the average annual share of AGI devoted to itemized charitable giving. Of course, post-TCJA, a decline in that ratio did not correspond with a decline in the absolute value of charitable giving, since AGI rose substantially during the same period.

The capital gains surge also pushed many more filers into higher-income categories. By 2021, there were 2.5 million tax filers with gross incomes above \$500,000, an increase of one million filers (67 percent) from 2017. The number of people earning more than \$1 million alone nearly doubled during the same period, reaching a record 873,670 in 2021.¹⁵ The increased number of high-earning filers is another factor accounting for the increased level of total giving in the top two income brackets.

Notable capital gains income was realized particularly in the states whose taxpayers made the largest itemized donations: California and New York. For California and New York, the average capital gains realized per return from 2018 to 2021 were \$203 million and \$100 million, respectively.¹⁶

Above-the-Line Charitable Deduction. In addition to boosts from capital gains, a decline in itemized charitable giving was mitigated by legislation passed in response to the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security Act authorized a so-called above-the-line charitable contribution deduction, permitting households that did not itemize their tax returns to nonetheless claim a tax deduction for charitable giving for 2020 (\$150 for individuals and \$300 for joint filers) and 2021 (\$300 for individuals and

\$600 for joint filers).¹⁷ As a result, those two years saw a combined total of itemized charitable giving of nearly \$28.6 billion, adding 6 percent to total itemized donations during the same period.

This provision, however, was no longer in effect starting in 2022. Any discussion of how to sustain charitable giving levels should consider whether such an above-the-line deduction should be restored.

Anticipatory Itemized Charitable Giving. Major changes to the federal tax code inevitably influence taxpayer behavior, and the TCJA was no exception. During the months leading up to the TCJA's enactment, millions of Americans heard similar advice from tax preparers and financial advisers. In December 2017, a top 100 accounting firm summed it up this way:

For many taxpayers, accelerating into this year donations that they might normally give next year may make sense for a couple of tax-reform-related reasons:

1. If your tax rate goes down for 2018, then 2017 donations will save you more tax because deductions are more powerful when rates are higher.
2. If the standard deduction is raised significantly and many itemized deductions are eliminated or reduced, then it may not make sense for you to itemize deductions in 2018, in which case you wouldn't benefit from charitable donation deduction next year.¹⁸

The incentive to accelerate deductions no doubt had some effect on changes in the overall level of contributions as a percentage of AGI—which peaked in 2017 at 2.33 percent, well above the overall 2010–17 average of 2.19 percent. The 2016 income share was elevated as well, at 2.31 percent, which to some extent would have reflected end-of-year taxpayer choices influenced by the election of a Republican president committed to seeking cuts in both individual and corporate income taxes. The elevated levels of giving in the two pre-TCJA years set up an especially sharp contrast with contributions in 2018, which fell to 1.70 percent of AGI. (See Table 2.)

Table 2. Itemized Charitable Giving as a Percentage of AGI, 2010–21

| Year | AGI Percentage |
|------|----------------|
| 2010 | 2.10% |
| 2011 | 2.09% |
| 2012 | 2.19% |
| 2013 | 2.16% |
| 2014 | 2.17% |
| 2015 | 2.19% |
| 2016 | 2.31% |
| 2017 | 2.33% |
| 2018 | 1.70% |
| 2019 | 1.58% |
| 2020 | 1.61% |
| 2021 | 1.77% |

Source: Internal Revenue Service, “SOI Tax Stats—Historic Table 2,” February 29, 2024, <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.

Future Tax Law Changes and Charitable Giving

The individual income tax provisions in the TCJA, which led to the changes in charitable giving patterns discussed in this report, are set to expire at the end of 2025. Congress will weigh much more than the law’s effects on charitable giving when reconsidering the TCJA. Nonetheless, it is worth focusing on those effects.

A strong case can be made for the importance of charitable donations and the causes and organizations they support. American civil society—the nongovernmental constellation of religious institutions and local nonprofit groups, among much else—relies on such generosity, which, as noted above, especially characterizes the US. Although tax incentives for such giving divert revenue from government, the donations they spur support a wide and impressive range of significant efforts outside government. These range from creative risks for scientific and medical research to the social capital and community ties fostered by religious institutions.

Whatever its virtues—which are not the focus of this report—the TCJA has clearly weakened the incentive for charitable giving among households that no longer itemize. Not only has itemization for donations declined, albeit slightly (from 1.13 percent to 1.11 percent of gross domestic product), but it has arguably become a sort of luxury good: Because so few taxpayers now

itemize their tax returns, a sharply lower share may take advantage of the charitable tax deduction.

Of course, the fact that millions of non-itemizers continue to place cash in collection plates and similar places arguably means that the IRS-recorded decline in charitable giving as a percentage of income may not be truly problematic, although the Lilly Family School of Philanthropy report discussed above is cause for concern for those who view such giving positively.

Nonetheless, the fact that the charitable tax incentive is now reserved for a thin slice of the US population—the most affluent—can also be seen as a matter of tax justice worth revisiting. The financial incentives embedded in the tax code inevitably, if implicitly, send messages to taxpayers—and a message that only the rich get a tax break from charitable giving is not a socially healthy one.

The most obvious fix is restoring the 2020–21 above-the-line charitable tax deduction. It is beyond the scope of this report to estimate the revenue effects of such a tax expenditure, but the case can be made for positive social effects. At the same time, in recognition of the fact that the most affluent taxpayers are the largest itemizers of charitable giving, it will be important to maintain that deduction at 60 percent of AGI.

So it is that, as Congress faces the 2025 task of revising the income tax code yet again, in the face of the TCJA’s expiration, it will have to balance, as always, government’s need for tax revenue, tax fairness, and social goals—including ongoing encouragement, dating back more than a century, for charitable giving.

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Appendix A

Table A1. Tax-Deducted Charitable Contributions and SALT Deductions as a Percentage of AGI, by State

| State | Itemized Charitable Contributions as a Percentage of AGI | | | SALT Deductions as a Percentage of AGI |
|----------------------|--|------------------------|-------------------|--|
| | 2010–17 Annual Average | 2018–21 Annual Average | Percentage Change | 2010–17 Annual Average |
| Alabama | 3.00% | 2.01% | -33.06% | 2.90% |
| Alaska | 1.41% | 0.87% | -38.10% | 1.69% |
| Arizona | 2.02% | 1.42% | -29.74% | 3.73% |
| Arkansas | 2.87% | 3.79% | 31.94% | 3.80% |
| California | 2.25% | 1.94% | -13.94% | 7.96% |
| Colorado | 2.08% | 1.56% | -25.09% | 4.21% |
| Connecticut | 2.07% | 1.52% | -26.71% | 8.48% |
| Delaware | 1.87% | 1.16% | -37.83% | 4.64% |
| District of Columbia | 2.92% | 2.46% | -15.94% | 6.99% |
| Florida | 2.14% | 1.74% | -18.65% | 2.72% |
| Georgia | 3.34% | 2.55% | -23.65% | 5.07% |
| Hawaii | 1.64% | 1.06% | -35.40% | 4.63% |
| Idaho | 2.72% | 1.82% | -32.92% | 4.66% |
| Illinois | 1.99% | 1.46% | -26.80% | 5.87% |
| Indiana | 1.90% | 1.24% | -35.08% | 3.66% |
| Iowa | 1.88% | 1.09% | -42.32% | 4.95% |
| Kansas | 2.37% | 1.68% | -29.16% | 4.42% |
| Kentucky | 2.07% | 1.17% | -43.36% | 4.87% |
| Louisiana | 2.02% | 1.33% | -34.14% | 2.78% |
| Maine | 1.35% | 0.87% | -35.76% | 5.82% |
| Maryland | 2.60% | 2.15% | -17.63% | 7.87% |
| Massachusetts | 1.90% | 1.64% | -13.96% | 6.56% |
| Michigan | 1.98% | 1.16% | -41.26% | 4.52% |
| Minnesota | 2.00% | 1.29% | -35.49% | 6.35% |
| Mississippi | 2.84% | 1.71% | -39.79% | 3.13% |
| Missouri | 2.19% | 1.52% | -30.61% | 4.53% |
| Montana | 2.22% | 1.49% | -32.89% | 4.69% |
| Nebraska | 2.25% | 1.57% | -30.06% | 5.06% |
| Nevada | 1.99% | 1.54% | -22.72% | 2.54% |
| New Hampshire | 1.30% | 1.01% | -22.75% | 4.50% |
| New Jersey | 1.70% | 1.22% | -28.37% | 8.88% |
| New Mexico | 1.74% | 1.19% | -31.61% | 3.20% |
| New York | 2.44% | 1.98% | -18.81% | 9.34% |
| North Carolina | 2.52% | 1.58% | -37.45% | 5.13% |
| North Dakota | 1.41% | 1.37% | -2.53% | 1.98% |
| Ohio | 1.75% | 1.08% | -38.29% | 5.01% |
| Oklahoma | 2.65% | 1.83% | -30.91% | 3.30% |
| Oregon | 2.23% | 1.61% | -27.76% | 7.17% |
| Pennsylvania | 1.75% | 1.18% | -32.72% | 5.05% |

(continued on next page)

Table A1. Tax-Deducted Charitable Contributions and SALT Deductions as a Percentage of AGI, by State (Continued)

| State | Itemized Charitable Contributions as a Percentage of AGI | | | SALT Deductions as a Percentage of AGI |
|----------------|--|------------------------|-------------------|--|
| | 2010–17 Annual Average | 2018–21 Annual Average | Percentage Change | 2010–17 Annual Average |
| South Carolina | 2.64% | 1.71% | -35.16% | 4.47% |
| South Dakota | 2.20% | 2.22% | 1.00% | 1.79% |
| Tennessee | 2.49% | 1.70% | -31.85% | 2.04% |
| Texas | 2.19% | 1.73% | -21.15% | 2.77% |
| Utah | 4.78% | 3.63% | -24.09% | 4.72% |
| Vermont | 1.52% | 1.15% | -24.35% | 5.76% |
| Virginia | 2.20% | 1.69% | -23.34% | 5.70% |
| Washington | 2.13% | 1.69% | -20.40% | 3.14% |
| West Virginia | 1.29% | 0.71% | -45.26% | 3.15% |
| Wisconsin | 1.76% | 1.07% | -38.95% | 6.37% |
| Wyoming | 4.16% | 2.99% | -28.15% | 1.79% |

Note: "SALT" is state and local taxes. "AGI" is adjusted gross income.

Source: Internal Revenue Service, "SOI Tax Stats—Historic Table 2," February 29, 2024, <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>.

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