

THE PRIMACY OF PHILANTHROPY

How Focusing on Tax and Financial Benefits Jeopardizes Charitable Giving for Everyone

By Craig Wruck – November 2025

Fundraisers and charitable gift planners: we need to talk. For decades, we've relied on a shared understanding that a charitable gift is, first and foremost, an expression of a donor's desire to do good. However, a dangerous shift is underway, and it is picking up steam. We have allowed charitable giving to be framed not as an act of generosity, but as a financial and tax-saving strategy. This shift is not only a disservice to the spirit of philanthropy, but also a growing threat to the very tax incentives that undergird our work.

The language we use has consequences. When we market charitable giving as a clever way for a donor or client to avoid taxes, we risk alienating the broad public that gives generously, often without any financial incentive. We affirm a narrative that charitable giving is a game for the wealthy, a way for an elite few to manipulate the system while the average taxpayer foots the bill.

This is not an abstract concern. There are indications that the public's perception is already being weaponized. A narrative is taking shape which says to the general public, your tax dollars are subsidizing the rich who probably don't support the same causes you would choose. True or not, this message is simple, compelling, and politically powerful. What is more, this is a road we've been down before.

The history of tax incentives for charitable giving in the United States is a story of evolving public policy in tandem with the basic philanthropic spirit of the American people. This narrative begins not with tax laws, but rather with a core belief that private giving can and should address public needs. The concept of private action has been deeply rooted in American society from its earliest days when the nation was born, in large measure, out of a suspicion of centralized power. Though there's little evidence Thomas Jefferson ever said, "the government is best which governs least," he and the other founders clearly advocated a limited role for government. Half a century later, the French historian Alexis de Tocqueville marveled at

Americans' inclination to form "voluntary associations" to do work usually performed by government in other countries.

But today, what we've come to know as the "philanthropic sector" is facing challenges on many fronts.

Over the past four decades, charitable giving has grown faster than the rate of inflation, but there are indications that the percentage of the population who give each year is declining. "Mega gifts" are eclipsing the generosity of ordinary donors. *Giving USA*¹ reports that just fifty megadonors gave a total of \$16.2 billion in 2024. That dollar total is up more than one-third from the previous year. And the share of total giving coming from individual donors has dropped while giving from foundations has increased.

Although total giving as a percent of GDP has increased – a positive indicator to be sure – individual giving as a percent of disposable personal income has not changed. This suggests that, despite the professionalization of fundraising and significant investments by nonprofits in fundraising, management and metrics, cultivation and marketing, and datamining, we have failed to make individual donors more generous.

During this period there has also been a growing shift in the general perception of tax incentives for charitable giving. Planned giving, which had been a specialized fund-raising strategy, has transformed into "charitable gift planning," with an increasing emphasis on tax and financial aspects. These days, fundraising positions that used to be called "Planned Giving Officer" are likely to be called "Charitable Gift Planner" or "Philanthropic Advisor," titles that obscure the fact that a charity is paying them a salary to secure contributions for the organization.

No longer tagged as fundraisers, is it any wonder that these planners and advisors are inclined to present tax incentives for charitable giving as financial and estate planning techniques, clever ways for donors to reduce or avoid taxes? But the risk is that, although not explicitly articulated, a growing number of Americans reach the logical conclusion that taxpayers of average means –

who give modestly or perhaps not at all – are stuck paying the tax bill for those who escape taxation because of their charitable giving.

Allowing charitable giving to be framed as a tax avoidance strategy is dangerous and it has serious consequences. Look no further than the One Big Beautiful Bill Act of 2025 (OBBA), which was signed into law last summer.

The fundraising sector rejoiced that the OBBA included a permanent charitable deduction for non-itemizers. The non-itemizer deduction had been an elusive goal since the Filer Commission Report in the early 1970s. However, the OBBA deduction for non-itemizers is very limited and applies to cash gifts only. And, based upon recent experience with temporary non-itemizer deductions during the Pandemic, there is little evidence that it will spur increased giving. It seems just as likely that many non-itemizers may simply take advantage of the new deduction for their existing giving.

The larger point is, the deduction for non-itemizers came at a significant cost. The OBBA also decreased tax incentives for donors who do itemize by creating a 0.5% floor on charitable deductions and capping the maximum tax savings for the wealthiest donors. In other words, in exchange for a broad new incentive for non-itemizers, which may generate little added giving, the most generous taxpayers have been penalized.

In the meantime, from a purely political perspective, there is a growing chorus of concerns about the threat of “big philanthropy” which is decried as already too large and getting bigger, increasingly unaccountable, and immune from public scrutiny. This refrain – whether it is coming from the right wing or the left – is creating a call and response of sorts painting a picture of an elite few who manipulate charitable giving for their own self-interests and that the rest of us, as taxpayers, are stuck paying the bill for their abuses.²

There have been warning signs. A decade and a half ago the Congressional Budget Office (CBO) issued a report entitled “Options for Changing the Tax Treatment of Charitable Giving.”³ The report labeled the charitable deduction as a “tax expenditure” that costs the Treasury more

than \$100 billion per year (in 2024 dollars) in lost tax revenue. The CBO report includes a dozen policy options that would curtail tax incentives for charitable giving and concludes the changes would have modest to no impact on charitable giving while saving taxpayers billions of dollars each year. Even worse, the CBO Report offers an analysis of the causes supported by taxpayers at different income levels. The picture is stark: those in the lowest quartile overwhelmingly give to religious organizations while those in the higher quartiles tend to favor education and the arts.

Pause for a moment and consider the case a savvy political strategist could build from these data: “The government is taking your tax dollars to subsidize rich folks who don’t even give to the same things you do.” And remember, CBO reports tend to live forever, especially in the institutional memory of the experts who draft tax policy for Congress.

We’ve seen this movie before. In 1969, President Richard Nixon signed into law the Tax Reform Act (TRA69) which, it’s true, gave us the modern world of planned giving – charitable remainder trusts and a lot more. However, TRA69 also created the distinction between private foundations and public charities and enacted punitive rules and requirements on private foundations.

But TRA69 did not come as a bolt out of the blue.

During the 1960s Congressman Wright Patman, of Texas, crusaded against what he saw as flagrant abuse of charitable foundations. The Congressman said, “Down in Houston there are some neighborhoods so rich that every flea has his own dog. The Rockefellers are like that. Every one of them has his own foundation.”⁴ Although Patman was a Democrat, he wasn’t all that concerned about whether foundations were too conservative or too liberal. Instead, he focused on their tax returns and financial statements to call out what he saw as individuals and families who lacked charitable intent using charitable foundations for their own private benefit.

Patman warned that the flow of wealth into tax exempt organizations was draining the U.S. Treasury. He argued, “More and more, the cream is slipping out of our tax system as the great

fortunes go into tax-exempt foundations. The skim milk incomes of average, hard-working families must then shoulder an increasing part of the tax burden, both Federal and State.”⁵

Change a few nouns, and Congressman Patman’s critiques could be leveled against some of the ways in which Donor Advised Funds are promoted today.

Is it only a matter of time before someone uses the CBO Report to eviscerate the charitable deduction? What if they pick up some of the sharp tools we’ve left lying around and come after the other incentives for charitable giving like split interest gifts? How long will it be until someone makes the logical-sounding argument that there’s no need for tax-exempt status because, after all, non-profit organizations shouldn’t be making a profit anyway and, if they do, they ought to pay a tax like any other corporation?

Let’s not wait to find out. The solution is both simple and urgent. We must, as a profession, return to the foundational principle of our work. In 1991 the nascent National Committee on Planned Giving brought forth the Model Standards of Practice for Charitable Gift Planners. The very first standard reads:

I. PRIMACY OF PHILANTHROPIC MOTIVATION – The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.⁶

Does this mean fundraisers and gift planners must become ascetics, never mentioning the options for charitable gift planning unless the donors asks first? Of course not! The Model Standards also require us to educate our donors and present full explanations:

II. EXPLANATION OF TAX IMPLICATIONS – Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

VIII. DESCRIPTION AND REPRESENTATION OF GIFT – The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

The problem and the solution aren't really any more complicated than this: if you are encouraging someone – donor or client – to engage in a charitable gift transaction for any purpose other than “making a charitable gift,” then you're jeopardizing tax incentives for charitable giving for the rest of us.

Tax incentives for charitable giving are powerful tools. Let's use them for their intended purpose and not anything else. To paraphrase singer/songwriter Joni Mitchell, sometimes you don't know what you've got 'til it's gone. Let's not pave over philanthropy to put up a parking lot.

¹ Giving USA 2025 Annual Report, <https://givingusa.org/>

² “Eight Things to Know About Big Philanthropy and the Populist Reaction Against it” Michael E. Hartman, <https://thegivingreview.com/eight-things-to-know-about-big-philanthropy-and-the-populist-reaction-against-it/>

³ “Options for Changing the Tax Treatment of Charitable Giving” Congressional Budget Office, <https://www.cbo.gov/publication/41452>

⁴ Wright Patman, quoted in the Taylor Daily Press, Thursday, February 20, 1975

⁵ “From Populist Crusade to Comprehensive Regulation: The Tax Reform Act of 1969” James Alan Smith, <https://resource.rockarch.org/story/from-populist-crusade-to-comprehensive-regulation-the-tax-reform-act-of-1969/>

⁶ “Model Standards of Practice for Charitable Gift Planners” National Association of Charitable Gift Planners, <https://charitablegiftplanners.org/standards/model-standards-practice-charitable-gift-planner>