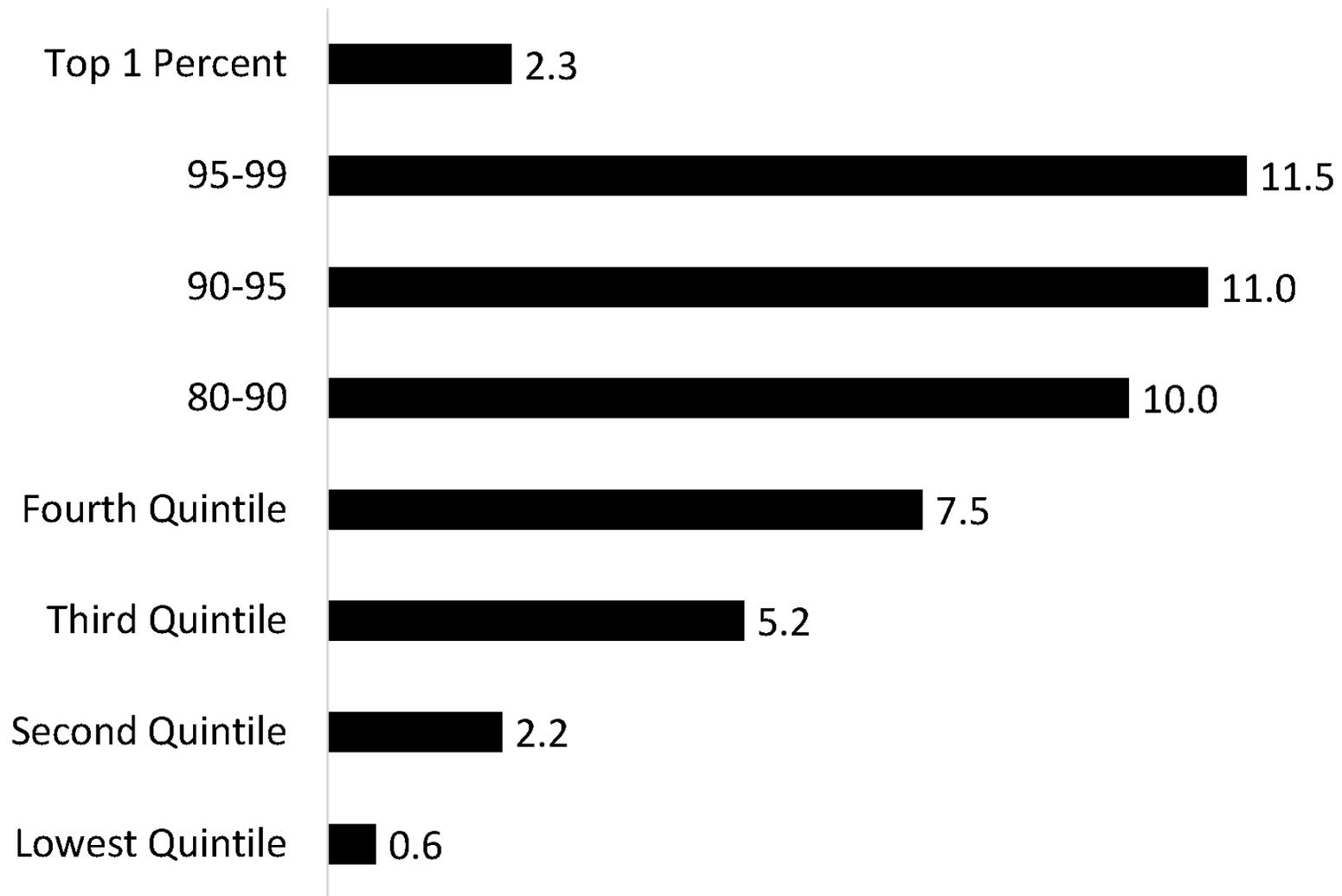


# Implications of the TCJA for Charitable Giving

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Presentation at the National Tax Association Spring Symposium  
Washington DC, May 17, 2018

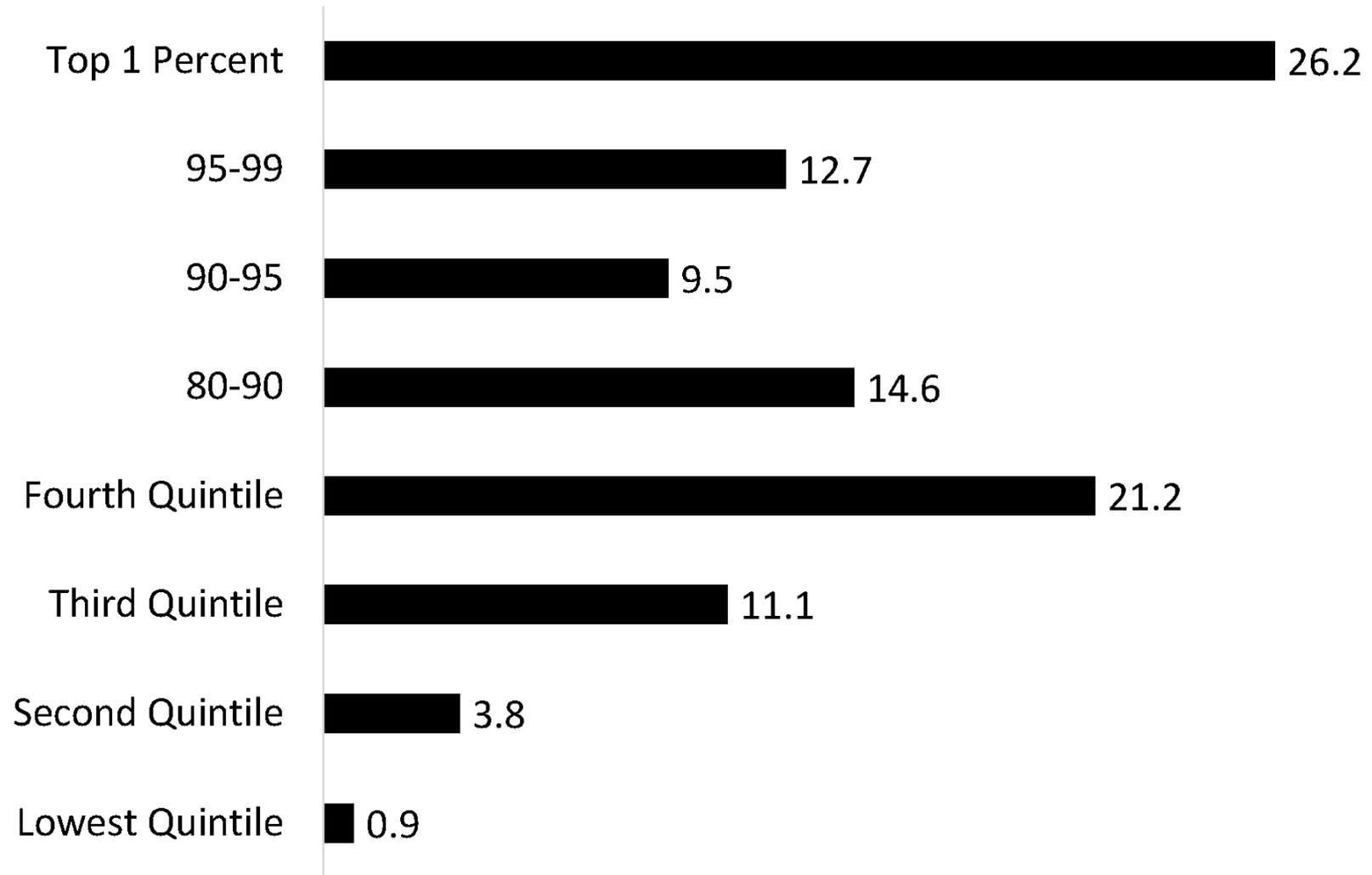
## Percentage change in price of charitable donations due to TCJA, by position in income distribution, 2018



Source: Urban-Brookings Tax Policy Center (2017).

Note: these price calculations only reflect effects of federal income tax, and ignore effects of state taxes and additional tax savings from avoiding tax on capital gains on donated assets. The breaks between income categories are (in 2017 dollars): 20% \$25,000; 40% \$48,600; 60% \$86,100; 80% \$149,400; 90% \$216,800; 95% \$307,900; 99% \$732,800.

## Percentage of all individual donations made by each income group, predicted baseline before TCJA, 2018



Source: Urban-Brookings Tax Policy Center (2017).

Note: these price calculations only reflect effects of federal income tax, and ignore effects of state taxes and additional tax savings from avoiding tax on capital gains on donated assets. The breaks between income categories are (in 2017 dollars): 20% \$25,000; 40% \$48,600; 60% \$86,100; 80% \$149,400; 90% \$216,800; 95% \$307,900; 99% \$732,800.

**Estimated impact of the TCJA individual tax provisions on aggregate individual charitable donations in 2018, if the price elasticity of charitable donations is -1**

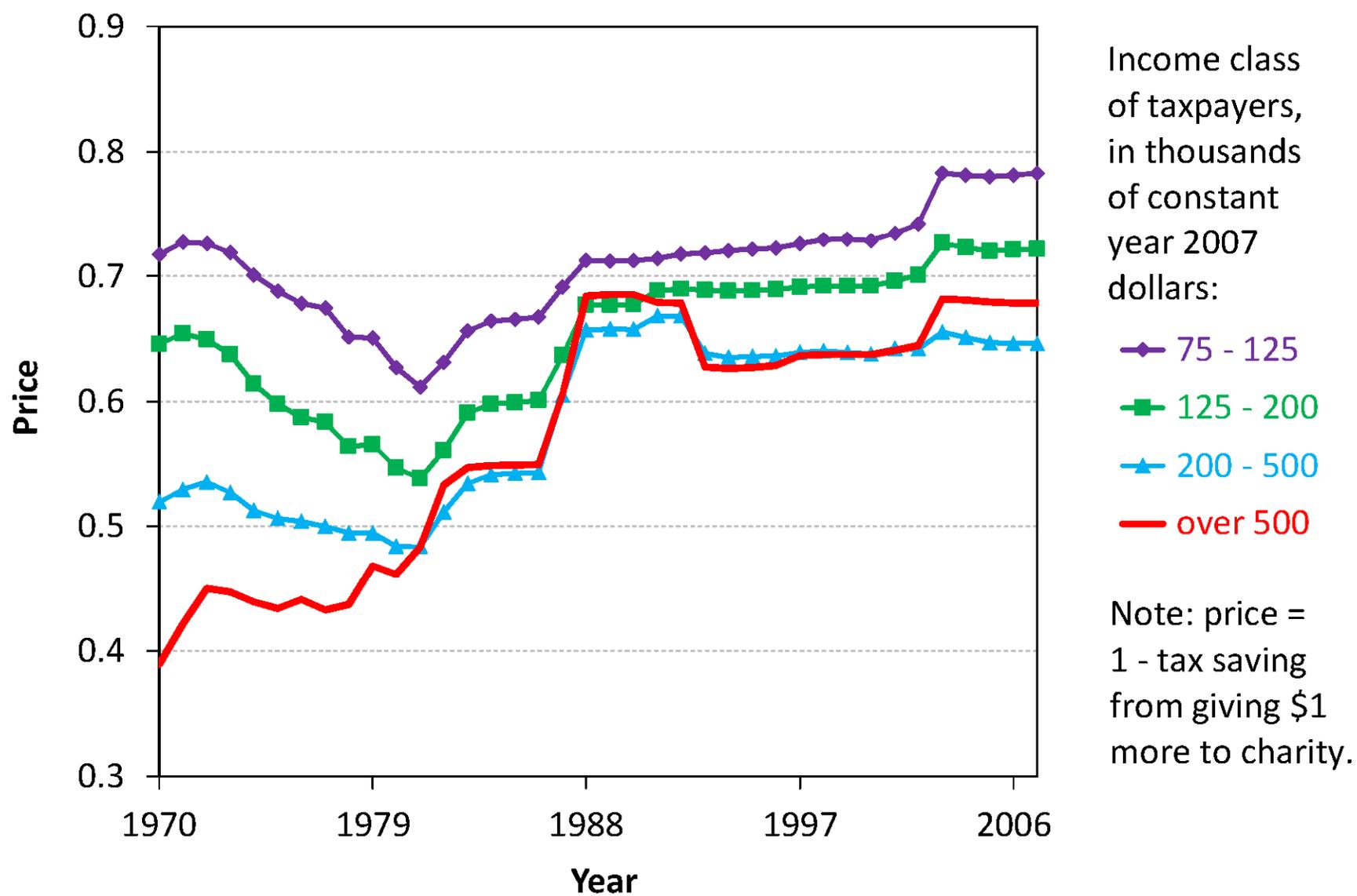
- \$21 billion decline in donations
- 7% decline in individual donations

Source: author's calculations based on estimates of the change in price and distribution of donations from Urban-Brookings Tax Policy Center (2017). Note: price calculations only reflect effects of federal income tax, and ignore effects of state taxes and additional tax savings from avoiding tax on capital gains on donated assets.

## Some caveats

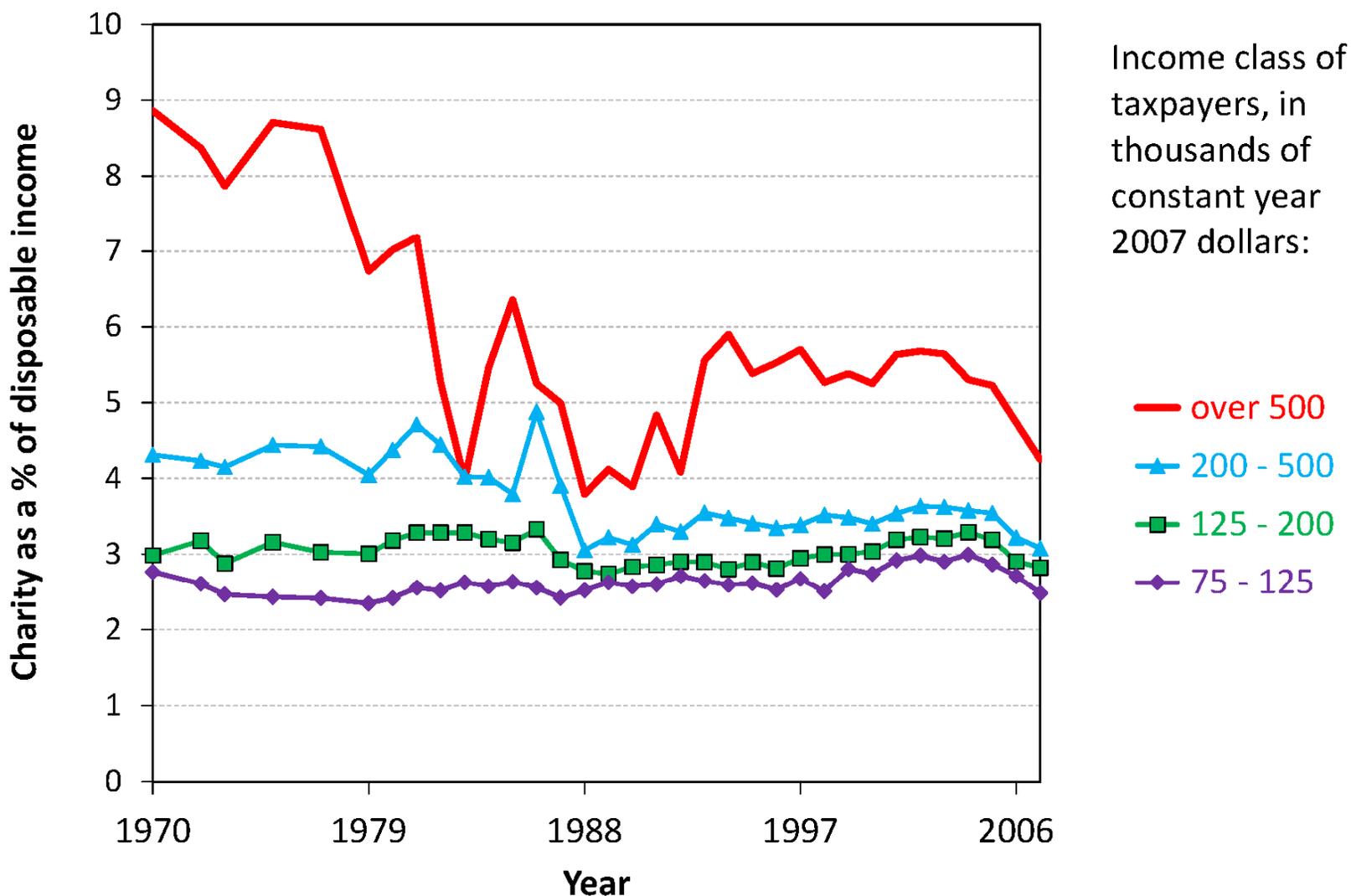
- Estimates above ignore the effects of state income taxes
- Income effects
- We know less about the impact of switching from itemizing to non-itemizing than we do about effects of changes in marginal tax rates for itemizers
- Will people bunch donations into alternate years?

## The price of charitable donations increased for high-income people relative to others, 1970-2007



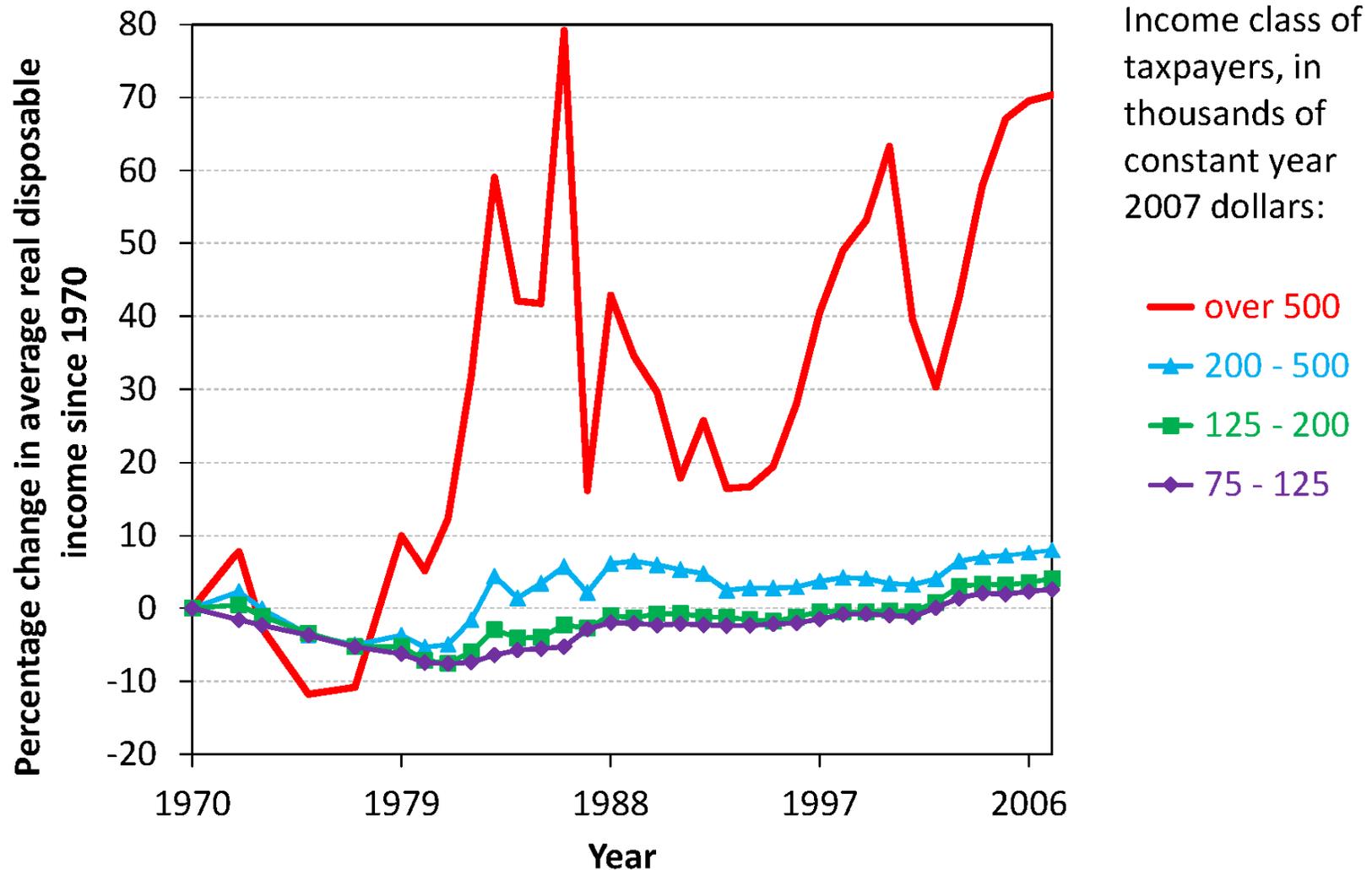
Source: Bakija (2013). Includes effects of both federal and state income taxes.

## Charitable donations as a percentage of disposable income declined more for high-income people relative to others, 1970-2007



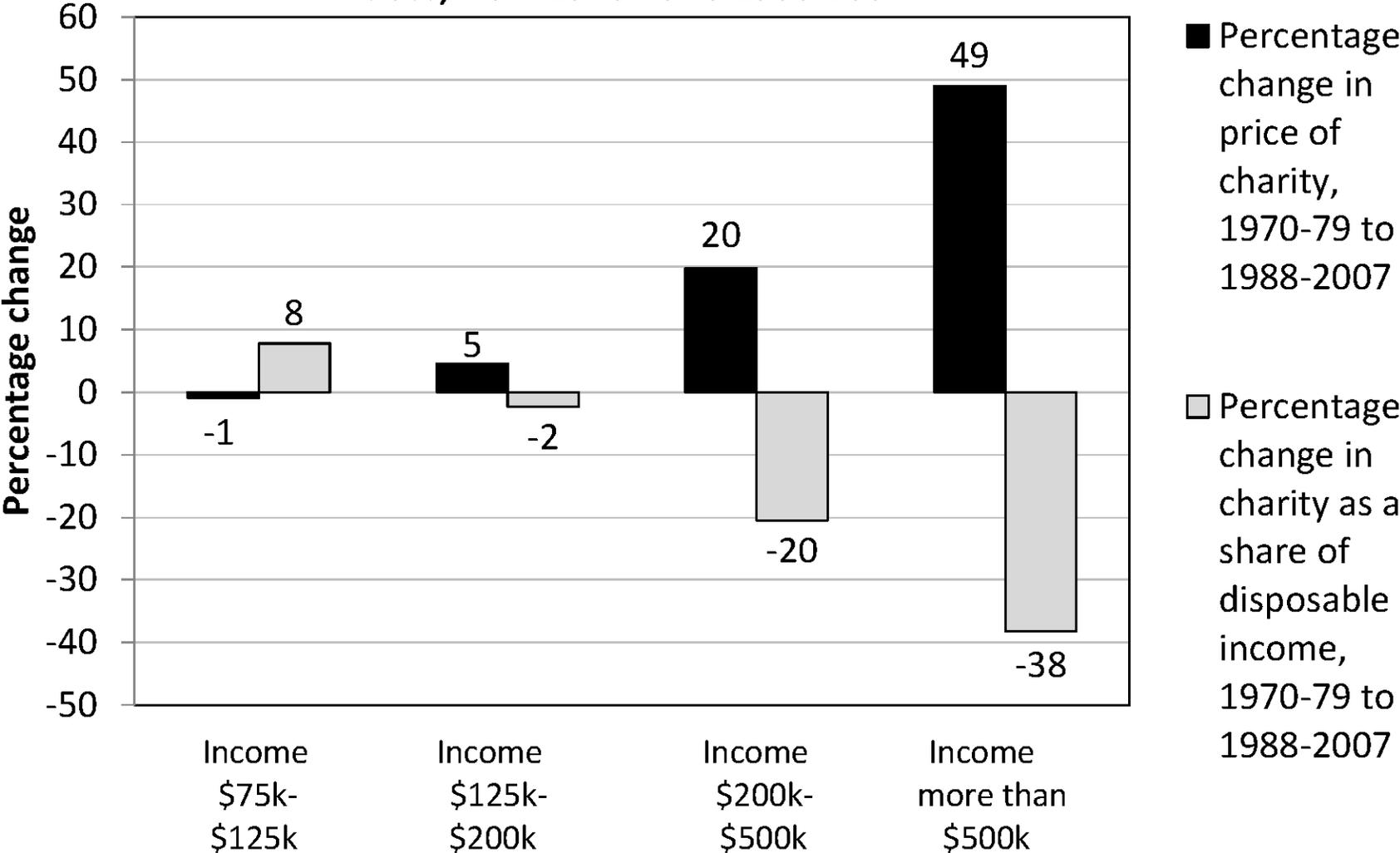
Source: Bakija (2013), based on IRS public use individual income tax return micro data files. Sample is restricted to exogenous itemizers (those who would have itemized even if charitable donations were zero). Disposable income is defined as AGI plus excluded realized capital gains less federal and state income tax liability.

## Percentage change in after-tax real income since 1970, by income class



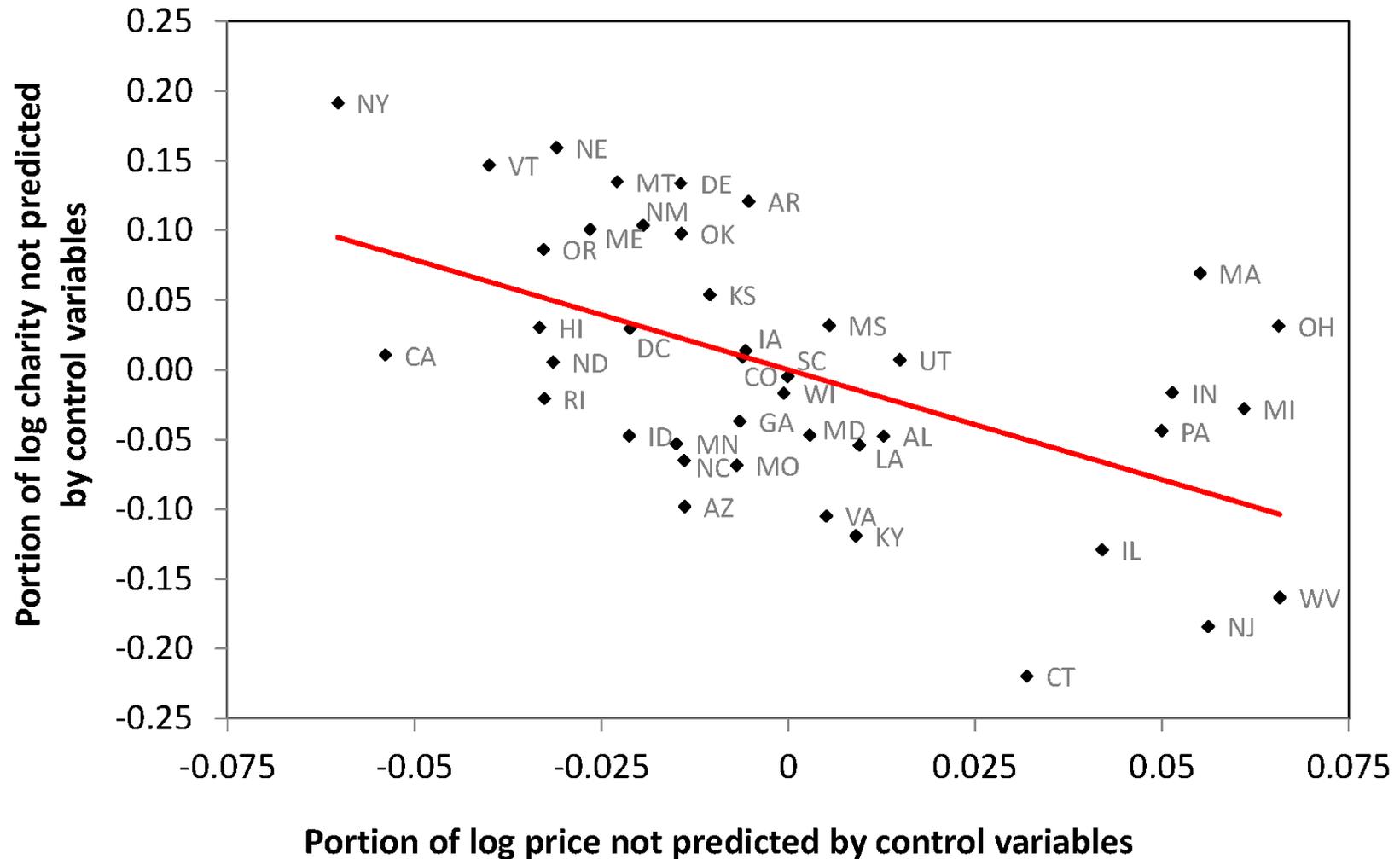
Source: Bakija (2013), based on IRS public use individual income tax return micro data files. Sample is restricted to exogenous itemizers (those who would have itemized even if charitable donations were zero). Disposable income is defined as AGI plus excluded realized capital gains less federal and state income tax liability.

**Comparison of percentage change in price and percentage change in charitable donations as a share of disposable income for each income class, from 1970-79 to 1988-2007**



Source: Bakija (2013), based on IRS public use individual income tax return micro data files. Sample is restricted to exogenous itemizers (those who would have itemized even if charitable donations were zero). Disposable income is defined as AGI plus excluded realized capital gains less federal and state income tax liability.

**Cross-state relationship between log charitable donations and log price among those with incomes above \$200,000 during 1992-2007 suggests a price elasticity of -1.6**



Source: Bakija (2013), based on published IRS individual income tax tables by state. Dependent variable is log charitable donation per itemizing return; on average 96 percent of returns in this income group itemize in these states. Control variables include log of after-tax income, log of share of returns with income above \$200,000 that itemize in each state, and shares of state population that were adherents to each of six religions. The 95% confidence interval around the price elasticity estimate ranges from -0.6 to -2.6. States that do not have an income tax are excluded because of large shares of non-itemizers; including them changes the price elasticity estimate to -2.0.

**Estimates of the price elasticity of charitable donations identified by  
difference-in-differences variation in tax incentives across states, from  
Bakija and Heim (2011)**

After-tax income in constant year 2007 dollars	Estimated price elasticity	Standard error
Less than \$100,000	-0.86	0.23
\$100,000 - \$200,000	-1.04	0.23
\$200,000 - \$500,000	-1.25	0.18
\$500,000 - \$1 million	-1.21	0.18
Over \$1 million	-1.58	0.26

Source: Bakija and Heim (2011, Table 4, column 4)

## References

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