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Why do people give? Not for the tax break.

The GOP's tax plan has nonprofits worried. But should they be?

BY LISA BERTAGNOLI

Giving season has arrived. As cooks scramble for the best stuffing recipes and debate pumpkin versus apple pie, area nonprofits are gearing up for Nov. 28, also known as Giving Tuesday, which last year raised $11 million for Illinois nonprofits. People moved to generosity by the season, or looking ahead to tax-filing time, stand ready to write checks, and nonprofits are preparing year-end appeals.

Meanwhile, the Senate and House have presented tax overhaul plans that substantially raise the standard deduction, a move that would reduce the incentive to itemize, including charitable deductions. Without that incentive of a tax deduction, individual giving could plummet, and that has nonprofits worried. Why? Mega-gifts make headlines, but individuals, who drop dollars into the collection plate or write personal checks, account for 72 percent of all annual giving. In 2016, individuals accounted for $281 billion of the year's $390 billion in charitable contributions, according to Chicago-based nonprofit Giving USA. The proposed tax bills could cut that amount by as much as $13 billion, or nearly 5 percent, according to a study by Indiana University's Lilly Family School of Philanthropy.

All this raises the question: What motivates people to give? Is it the prospect of a tax break, or are other factors at work?

Donors, people who advise them and researchers who study them say that tax breaks do matter. Yet it's not the biggest reason they give, and a change to the tax code won't reduce their giving.

Kristen Pettit Grube, president of Impact Grants Chicago, a new giving collective in Chicago, donates at least $1,000 a year to charity. So do members of the collective, whose $1,000-plus donations are pooled to create sizable grants

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Philanthropic adviser Lisa Dietlin says belief in a group's mission is the top reason people donate.

For many who donate to charities, it's not about the tax break

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for area nonprofits. Members participate fully in the grantmaking process, visiting organizations and reviewing grant applications, all on a volunteer basis. That immersion, plus the chance to forge change in the world, has Grube positive that she and other Impact Grants members will keep on giving, and generously. "It's to support organizations that I am passionate about," says Grube, 46, an entrepreneur who lives in Roscoe Village. Any tax incentive "is a nice benefit, but it's not the primary driver."

Lisa Dietlin, a philanthropic adviser in Chicago, agrees. "The biggest reason is that people believe in the mission of the organization," says Dietlin, founder of Chicago-based Institute of Transformational Philanthropy, which advises donors and nonprofits. The second reason? "Someone they know asked them to give," she says. "Most people aren't thinking about the deductibility of their donation," says Dietlin, who points out that people still use credit cards and buy cars even though deductions for credit card and auto loan interest evaporated years ago. Yes, cars and some items bought with credit cards are essential; still, the household credit burden for both is at an all-time high, according to tallies released by the Federal Reserve Bank of New York. Third-quarter debt for auto loans totaled $1.2 trillion, up $23 billion from the spring, and credit card debt totaled $808 billion, up $24 billion.

Another organization concurs that tax deductions don't motivate giving, but it's hedging its bets.

"People give because they believe in an organization, because they believe the money they give will have impact," says Sharon Tiknis, executive vice president and East division manager at Alford Group, a Chicago-based consultant to nonprofits. Tiknis cites donors' loyalty to nonprofits plus a belief that a donation will work some good in the world. "That would not be affected by the law change," she says. Alford Group belongs to the national Charitable Giving Coalition, which supports an amendment that would add an above-the-line standard charitable deduction to the Senate tax overhaul bill. Coalition research indicates that such a deduction would elevate yearly giving by $5 billion.

If the tax overhaul becomes law, donors concerned about taxes have some options. One is a family foundation. The other is a donor-advised fund, an increasingly popular financial vehicle. Fidelity Charitable Gift Fund and Goldman Sachs Philanthropy Fund ranked No. 1 and No. 3, respectively, on the 2017 Chronicle of Philanthropy's Philanthropy 400, a list of the largest charitable-giving institutions in the country. Donors can also turn to community foundations, such as Chicago Community Trust, to create donor-advised funds.

Even the wealthy, though, say taxes aren't a huge incentive for giving to charities. Only 18 percent cited tax benefits as a reason to give, according to the 2016 U.S. Trust Study of High Net Worth Philanthropy, which examines the habits of individuals with a net worth of at least $1 million. The top reasons: believing in the mission of the organization (54 percent), believing their gift can make a difference (44 percent) and experiencing personal satisfaction, enjoyment or fulfillment from giving (39 percent).

"Leaving a legacy is important," adds Raj Bhatia, managing director at Merrill Lynch Private Banking & Investment Group in Chicago. Legacy helps explain a lot of mega-gifts, including the nine-figure donation that turned the Rehabilitation Institute of Chicago into the Shirley Ryan AbilityLab and, more recently, Ken Griffin's $125 million gift to the University of Chicago, which will rename the school's economics department after the hedge-fund billionaire.

Bhatia predicts mega-gifts will become more frequent in the near future. Chicago alone has 3,110 residents with a net worth of at least $30 million. That places it seventh on a list of 30 global cities ranked by their concentration of ultrarich individuals, according to a 2017 survey by research firm Wealth-X. The youthful entrepreneurs creating this wealth want to witness the impact of their gifts. "They are interested in giving in their lifetimes versus after their lifetimes," Bhatia says.

With its concentration of mega-donor favorites, including health care facilities and higher-education institutions, "Chicago should get its fair share of larger gifts," Bhatia says. With or without tax code changes.

WHY GIVE?

Tax benefits don't top the list of why people with a net worth of $1 million or more, and/or income of $200,000 annually, donate to charities.

HERE'S WHY THEY DO

Belief in the mission of the organization	54%
Belief that their gift can make a difference	44%
Personal satisfaction, enjoyment or fulfillment from giving	39%
Tax benefits	18%

Source: The 2016 U.S. Trust Study of High Net Worth Philanthropy, conducted in partnership with the Indiana University Lilly Family School of Philanthropy. Survey is based on 2015 data.