

Trump's tax cuts led to a \$20B reduction in charitable giving within a year, says economist

September 11 2024, by Daniel Hungerman



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Americans give about [a half-trillion](#) dollars a year to charity. That money helps fund services for the homeless, fight diseases, run museums and other organizations doing worthwhile activities. Some donations, such as those supporting religious congregations, are expenditures that the [U.S. government couldn't legally make](#) even if it wanted to.

That helps explain why the U.S. tax code encourages giving by offering some donors a [tax break](#). When those taxpayers give, they get a discount on their tax bill through the charitable deduction.

Overall, this deduction [lowers tax revenue](#) by tens of billions of dollars every year. To be sure, since giving is socially valuable, the forgone tax dollars might be worth it.

Many taxpayers stopped taking advantage of this tax break after President Donald Trump signed the Tax Cuts and Jobs Act into law in late 2017.

This law greatly increased the [standard deduction](#). As a result, many people stopped itemizing and started using the standard deduction instead because they could pay less in taxes without itemizing that way.

About [30% of taxpayers itemized their tax returns in 2017](#), making them free to take advantage of the charitable deduction, according to the Internal Revenue Service. But since 2018, only about [10% have been itemizing](#).

For the [30 million taxpayers who stopped itemizing](#), the charitable deduction disappeared. They lost an incentive to support many of their favorite causes.

I am an [economist](#) who studies charitable activities and public policy. Working with two colleagues, [Mark Ottoni-Wilhelm](#) and [Xiao Han](#), I [co-authored a study](#) looking at what happened to charitable giving after the Trump-era tax reforms were enacted.

Losing out on revenue

Our study uses data from the University of Michigan's [Panel Study of](#)

[Income Dynamics](#), which asks families questions over time, to look at how their giving behavior changed when tax laws changed. This [survey](#) lets us see how donations from the same families changed after they stopped using the charitable deduction. This data is available every other year. We studied what happened in 2018, compared with 2016.

We found that Americans who stopped itemizing their [tax deductions](#) gave less to charity in 2018 than they otherwise would have. On average, these donors who could use the charitable deduction in 2016 gave nearly US\$1,000 less in 2018 after losing out on the tax break.

All told, we estimate that the 2017 tax package annually reduced charitable giving from individual donors by about \$20 billion in the following year from what we would have seen had the bill not become law. That's roughly 5% of all charitable giving.

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