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# The 2022 Global Philanthropy Environment Index United States

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Benefit Corporation, Cooperative, Corporation, Endowment, Foundation, Limited Liability Company, Society, Trust, Political Organization

**Five main social issues addressed by these organizations:** Basic Needs, Early Childhood Education through High School, Health and Medical Research, Higher Research, Religion

**Average time established by law to register a philanthropic organization:** Varies

**Average cost for registering a philanthropic organization:** Varies

Corporate registration is chiefly the responsibility of state governments in the United States. Time and costs vary accordingly, but generally are not onerous. A few organizations (e.g., the American Red Cross) have Federal charters, which typically require an act of Congress and consume more time and effort to obtain. Tax status is usually determined by the Federal Internal Revenue Service, whose rules states typically follow (but they are not required to do so). Obtaining a ruling from the IRS can take several months (or even longer) and require payment of fees, as well as, perhaps, obtaining legal counsel.

Organizations also have to report fundraising activities to the states in which they operate, but compliance with this requirement is usually easy.

**Government levels primarily regulating the incorporation of philanthropic organizations:** Central/Federal Government, State Government

State governments are responsible for incorporation. The Federal government usually grants tax-exemption and tax-deductibility. However, state governments grant tax-exemption from state taxes, such as sales and property tax, and may have own rules for doing so.

Philanthropic Environment Scores:

| Year      | Ease of Operating a PO | Tax Incentives | Cross-Border Philanthropic Flows | Political Environment | Economic Environment | Socio-Cultural Environment | Overall Score |
|-----------|------------------------|----------------|----------------------------------|-----------------------|----------------------|----------------------------|---------------|
| 2022 GPEI | 4.83                   | 4.75           | 4.50                             | 4.50                  | 5.00                 | 5.00                       | 4.76          |
| 2018 GPEI | 4.83                   | 5.00           | 4.50                             | 4.50                  | N.A.                 | 5.00                       | 4.77          |

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

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| <b>Score: 4.5</b> |
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Americans generally have a considerable degree of freedom in forming philanthropic organizations (POs), including Constitutional protection of “freedom of association.” To act collectively, people do not need to obtain legal recognition in advance and hundreds of thousands of such “informal” groups are estimated to exist. However, if they wish to obtain legal recognition in order, e.g., to own property or limit individual financial liability, POs need to incorporate. Incorporation occurs usually at the state level (but for a few groups, at the federal level) and organizations must meet a minimal set of requirements, such as having by-laws, a set of directors, and a legal purpose (but not a financial requirement). If they wish to obtain special tax treatment, such as exemption from income or property taxes, they need to apply for approval by both federal and state tax authorities. Although it is well-established and approval is usually routine, the process requires filing documents, paying fees, and legal assistance and may vary from state-to-state. Depending on the circumstances, the process can be costly and time-consuming. Though staffed by civil servants, both the state agencies and the Internal Revenue Service (the principal federal agency involved) have been subject to accusations of politicization since they are overseen by political officials. POs that have received legal recognition have to file annual reports with both state and federal agencies, which are made public. For increased transparency and public accountability, the amount of information sought on these forms has been increasing in recent years. Depending on their legal status, POs may be prohibited from conducting activities that other types of organizations can do. The largest group of tax-exempt organizations, “public charities” (501c3s), are not allowed to take part in federal election campaigns, for example. These rules are set by statute and administrative action, conveyed in writing. Court appeals are allowable.

Question Two: To what extent are POs free to operate without excessive government interference?

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| <b>Score: 5.0</b> |
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PO governing boards have broad authority over their organizations’ internal affairs but are expected to comply with both statutory and common-law rules pertaining to directors of corporations, avoiding conflicts of interest, and acting prudently in making decisions. Federal and state laws contain provisions that limit the discretion of directors in certain areas, such as in setting executive compensation. Directors who violate these rules can face legal liability, fines, and removal from office. In several states, proposals have been made to regulate the structure of PO boards, e.g., by requiring more minority group members. Some aspects of corporate governance laws, adopted after for-profit business scandals, also apply to POs (or are seen as best practices), including conflict-of-interest, record-retention, and whistleblower protection policies. Within generally applicable laws

(e.g., criminal and civil rights laws) and specific statutory limitations (e.g., on excess business holdings), POs have relatively few constraints on working with other groups, governments, and businesses or in using communications media inside or outside the U.S. However, American grantmaking organizations are required to provide financial oversight of grants made to foreign POs to prevent funds from being used to support terrorism. Laws aimed at regulating political spending and lobbying also impact the activities of POs (such as by preventing coordination with candidates for office). A recent decision of the U.S. Supreme Court reaffirmed that POs which seek to influence public policy need not publicly disclose donors. Grantmaking foundations are required to disperse a percentage of their assets annually. Many governance rules are long-established and are generally clear and understood. However, enforcement is sometimes sporadic and unpredictable. In addition, various non-governmental groups may set and publicize "best practices" that differ from those required by law.

Question Three: To what extent is there government discretion in shutting down POs?

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| <b>Score: 5.0</b> |
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In the United States, governing boards can dissolve POs, following procedures in by-laws or state incorporation laws. At dissolution, the net assets owned by the organization (such as property or investments) must be made available for use by another PO, not distributed to directors, stockholders, or members without fair compensation. State laws may set rules, including procedures for valuing assets. Since POs are generally not required to report when they go out-of-business, accurate data on the extent of voluntary terminations are hard to come by. State officials usually have the power to dissolve POs in their states for failing to comply with the requirements of incorporation laws. They can also take remedial steps, such as replacing an organization's governing board. These actions generally require approval by a state court. At the federal level, the IRS has the authority to revoke an organization's tax exemption, which could lead to its termination. It also can impose financial penalties for violations, generally known as "intermediate sanctions." Although the IRS can take these actions administratively, POs have the right to appeal them to federal courts. Court rulings in these matters are typically treated as private ones, conveyed only to the affected organization. Involuntary termination or other kinds of remedial actions by state or federal authorities occur infrequently, though it did happen to the Donald Trump Foundation in 2019. Whether this is because misconduct is infrequent, or because enforcement agencies have typically been understaffed and under-funded is unknown. Efforts to ascertain the extent of problems among POs (e.g., IRS audits of salaries paid by large foundations) have usually found a low incidence of them, though journalistic accounts allege more extensive wrongdoing. Hybrid POs (B Corporations, etc.) follow the rules of for-profit corporations when dissolving (including paying creditors if bankrupt).

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

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| <b>Score: 4.5</b> |
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Donors to POs recognized by tax authorities as charitable and have broad public support—i.e., exempt as “public charities,” which constitute two thirds of tax-exempt groups—can deduct the amount of their cash or in-kind gifts from their income liable for federal tax. However, donors to other types of tax-exempt organizations (e.g., labor unions or political action committees) cannot. Moreover, only taxpayers who itemize their deductions—about 10 percent of all households after a 2017 tax law change—can claim this deduction. In response to the pandemic, a small tax credit for donations was enacted in the CARES Act, but it is apt to be temporary. Gifts to “public charities” in wills—i.e., bequests—are fully deductible from estate taxes, which only the largest estates now pay.

States and localities usually follow federal rules; however, in some, donations only for particular kinds of POs (e.g., in-state colleges or universities or organizations helping the needy) are counted, up to an amount specified in state law. Some states allow tax-exempt organizations to sell goods or services without collecting sales taxes from purchasers; others do not. Some waive sales tax collections only for certain types of transactions. All jurisdictions allow owners to deduct the value of property donated to “public charities,” often at current market value, not purchase price. The maximum value of federal tax deductions depends on the donor’s tax rate. The higher the tax bracket, the more valuable the deduction, which has led to repeated, but so far unsuccessful, efforts to cap it. Donors may deduct no more than 50 percent of their incomes annually. Businesses can deduct up to 10 percent of their net profits from the income liable for corporate tax annually. Additional rules apply to gifts of capital or gifts to private foundations. Excess deductions can be carried over to future years. The process for claiming deductions is well-established, but donors have to file tax returns and verify the amounts they claim if asked.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

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| <b>Score: 5.0</b> |
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POs can apply for exemption from federal tax on net corporate income. The IRS approves most applications, usually in a few months, with minimal legal help required. However, in return for tax exemption, organizations have to abide by a variety of rules, ranging from annual reporting requirements to limits on executive compensation and commercial income. However, like other corporations, POs have to collect federal payroll taxes if they have paid employees. Private foundations are also required to spend a certain amount of their assets each year and pay a tax on their net investment income.

Organizations exempt at the federal level will generally be exempt from state and local corporate income taxes too. In addition, POs can receive exemption from paying state or local taxes on property they own and sales taxes on purchases they make. The coverage and requirements for these exemptions vary across jurisdictions. Moreover, some state or local governments expect (and sometimes require) POs to provide certain kinds of services, e.g., charity care by hospitals, or make “payments in lieu of taxes” (PILOTs) in an amount related to the tax the organization would pay if it were not exempt and to report on in-state fundraising. Others may be required to pay “user fees” for government services, such as police and fire protection. Private donors can support any legal PO. However, if they wish to claim a tax deduction, their gifts must go to “public charities.” Without permission of the IRS, private foundations can make grants only to “public charities,” not to individuals. Private donors also support POs in a variety of other ways, including membership dues, loans, purchases, and capital investments, some of which, such as tax-free bonds, can lead to tax

deductions. Hybrid POs (B Corporations, etc.) are not tax-exempt and must show they serve a social purpose to retain their status, which affects their legal relationships with their investors.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

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| <b>Score: 4.0</b> |
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Americans can give cross-border donations without prior government approval, but they can obtain a charitable tax deduction only for contributions to POs “created and operated” in the United States. However, they may be able to exclude such gifts from taxable income if they can show that the cross-border organization would qualify as a charity in the United States. Private foundations may count cross-border donations toward the amounts they are required to give annually by following complicated procedures aimed at ensuring their gifts are used for activities that would be considered charitable in the United States. Americans can claim charitable tax deductions for gifts to U.S.-based organizations, such as churches or humanitarian groups, which operate in foreign countries. These groups must comply with IRS rules regarding how the gifts can be used, although they can make payments directly to needy individuals as part of a “qualified” disaster relief effort. Similar but separate rules apply to cross-border giving by corporations and from trusts or bequests. Many foreign organizations have established related “public charities” in the United States to enable American donors to make tax-deductible contributions, but these groups must operate independently. As a result, much of American giving abroad occurs through U.S.-based organizations. Since 2001, federal policies have tried to prevent charitable contributions from being used to finance terrorist activities. A 2010 decision by the U.S. Supreme Court (*Holder v. Humanitarian Aid*) upheld the constitutionality of these policies, including the prohibition of gifts to organizations on a list of suspected terrorist groups maintained by the U.S. Department of State, even if the funds are earmarked for a group's charitable work. These rules have generally required donors to exercise greater diligence in making international gifts, or face penalties, and have been accused of reducing giving, especially to the Middle East.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

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| <b>Score: 5.0</b> |
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Like gifts from Americans, gifts from foreign sources to tax-exempt organizations are not considered taxable income in the United States and do not need prior government approval. However, gifts to other kinds of organizations or individuals from foreign sources exceeding USD 100,000 (or a lesser amount if from a foreign corporation) must be reported to the IRS. In addition, Treasury regulations require reporting when cash over USD 10,000 is brought into the United States. If a foreign or nonresident alien donor earns income in the United States, gifts to American POs can be deducted

from American income taxes as allowed by law. Little information about donations from foreign sources to American charities is available. The IRS has reported an increase in foreign trusts established by Americans, some of which may make payments to United States charities, as do American foundations domiciled offshore (e.g., the now-closed Atlantic Philanthropies). Tax treaties (such as those with Canada, Israel, and Mexico) may allow donors in other countries to deduct their gifts to American charities from tax liabilities in their own countries. International agreements (such as those dealing with donations of “cultural property”) may also restrict the ability of foreign donors to contribute certain kinds of gifts (such as cultural artifacts) to American organizations. Campaign finance laws in the United States prohibit citizens of another country from providing support for federal elections. They do not affect the ability of non-citizens to support groups engaged in election-related activity, such as public education. Foreign-owned corporations with American subsidiaries can also contribute to candidates through political action committees created by their subsidiaries. Gifts to higher education exceeding USD 250,000 annually must be reported to the Department of Education. Such gifts occasionally prompt concerns about efforts by foreign governments to influence American opinions about their countries. For example, because they receive support from an organization affiliated with the Chinese government, “Confucius Institutes” have become controversial on several campuses.

#### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

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| <b>Score: 4.5</b> |
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The American government gives POs many opportunities to participate in government. When regulations are pending, their comments may be sought or required. They may also participate in various ways in legislative deliberations, court cases, and other government activities. POs may mobilize citizens to question government actions, form movements for social change, or engage in civil disobedience. By delivering public services, they may implement government policies or adapt them to different constituencies. POs often serve as a source of ideas and people for government, and vice versa. If receiving tax-deductible gifts, POs may not take part in partisan elections but can influence elections in other ways. However, especially since 2017, POs have reflected the growing polarization of American political life and have been blamed, in part, for “gridlock” in policymaking. POs have found themselves at the center of increasingly angry disputes on several public issues, causing excessive friction with or overly enthusiastic embrace by government. Some took part in violent protests, including at the U.S. Capitol or in several cities. Although the evidence is debatable, the greater dependence of POs on very wealthy donors may be ominous for American democracy. Social media has helped POs become more involved in political life but has also left them vulnerable to outside interference, like spoofing. Still, as shown by support in pandemic relief legislation, the American political environment for POs remains favorable. Most POs carry on their work with little if any controversy. Though sometimes more heated, political tensions between government and POs are accepted and often seen as evidence of political health. It is perhaps noteworthy that following the election of Donald Trump in 2017, POs critical of his policies saw increased donations. The Biden

administration has already taken steps, in the White House and the Executive branch, to work more closely with POs.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

**Score: 4.5**

Apart from tax policies, government plays a secondary role in encouraging a culture of POs in the United States. Public schools sponsor clubs and extra-curricular organizations for which students may receive academic credit or improve their prospects for further education or jobs, as well as classes in “civics” or “problems of democracy” and in service-learning (classroom instruction combined with opportunities to apply it via a PO). Many colleges and universities offer instruction in nonprofit management, philanthropic studies, etc. Public officials at all levels of government encourage giving and volunteering in speeches and other events. Few government agencies provide support for POs simply as POs, but they make awards—usually competitively—to those whose work is relevant to the agency’s mission. Exceptions include endowments for groups and individuals in the arts and humanities, as well as the Corporation for National and Community Service, which operates a small national service program.

The Census Bureau periodically surveys volunteering in the United States. Some states and cities also have programs, or assign officials, to promote or coordinate the work of POs. But for the most part, donors are free to support what they want and building a culture of philanthropy is left in private hands: families, religious bodies, existing POs, groups of donors like those in the Giving Pledge, etc. Specialized and general-interest publications report regularly on philanthropy, as do broadcast media. Capacity-building efforts are numerous, most under private auspices, but sometimes with public support, though there is no government plan for doing so. The CARES Act and other pandemic relief bills authorized loans to POs to help them retain employees. The main exception to this pattern involves religious charities: the Constitution prohibits them from receiving government support, but some have created secular affiliates that are eligible for aid.

## V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

**Score: 5.0**

In the past two years, the economic environment in the United States was as favorable for philanthropy as it has been in several decades. Coming out of the pandemic, strong economic growth and stock market performance forecast increased giving in the near future. Like the economy as a whole, employment in POs fell during the pandemic but has been recovering. Pent-up demand for goods and services is likely to benefit POs as well as businesses. Income and wealth inequality remain features of American society, but their impact on giving is uncertain and, in any case, policies to promote “social justice” have more support in the United States than they have had for many years. For the first time in its history, the United States has adopted a kind of “family allowance,” a fully refundable child tax credit, which some expect will reduce the number of children in poverty. Although trust in the work of POs grew during the pandemic and corruption is not seen as widespread, the Biden administration plans to increase substantially the IRS’s enforcement capacity.



However, the Biden administration is also seeking tax increases for wealthy individuals and corporations, and their effects on philanthropy remain to be seen. In addition, increased public spending as a result of the pandemic and subsequent legislation has led economists to worry about a resurgence of inflation, which will strike POs particularly hard (e.g., by eroding the value of endowments). The pandemic may also have other lingering economic effects, such as lower labor-force participation rates among women and skills deficits among young people because of missed schooling. Immigration policy in the United States—and its social, political, and economic effects—remains unresolved and controversial, with POs involved both as advocates and service providers. Not least, political polarization remains high, raising doubts about the ability of American democracy to deal with unanticipated economic and other challenges that lie ahead.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

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| <b>Score: 5.0</b> |
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Philanthropic activity has been highly respected and widely practiced. Over half of American households make donations annually. The total equates to the highest share of national income in the world. 25 percent of Americans report volunteering time to charitable groups, not including informal volunteering, such as helping neighbors (Statista, 2021). U.S. philanthropic activity is rooted in the attitudes of its 17th century settlers and buttressed by the belief that charitable and other kinds of community-serving activities are important for maintaining American democracy. Also important for U.S. philanthropic activity have been widespread religious affiliation, a public philosophy of limited government, and family and community networks that engaged new generations (and immigrants) in civic life. Public policy, e.g., the deductibility of charitable contributions, has also played an important supportive role. Although still held in higher esteem than other parts of society, such as government and the media, POs in the United States are more often criticized than they once were because of well-publicized scandals involving charitable groups, declining religious affiliation, and claims that POs are controlled by the wealthy and are insufficiently diverse. Increased government and commercial activity in areas once chiefly of interest to POs have confused public understanding of what POs do. Concerns about "dark money"—non-transparent philanthropic gifts used for political purposes—can be found across the political spectrum. Though total giving is at a record high, the share of households making donations has declined over the past decade and volunteering rates among younger people are below the national average. Still, the number of POs continues to grow, infrastructure and research institutions abound, women and minorities play important and increasing roles, and POs are active internationally. Despite initial fears, the pandemic is likely to have few lasting effects.

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

## Current state of the philanthropic sector

For U.S. philanthropy, to paraphrase Dickens, this is the “best of times” and “the worst of times.” Most giving still comes from individuals, but a larger proportion of donors are upper income, raising questions about how much less wealthy people are involved with POs. Institutional givers, like foundations and donor-advised funds, have never been more numerous, larger, or more widespread, but are frequently criticized as unaccountable, opaque, and non-diverse. The number of IRS-registered and informal POs continues to grow, but Americans seem to be turning toward a more active role for government programs in addressing social problems. Organizations representing women, minorities, and once-marginalized groups, such as LGBTQ+ people, have had success in changing attitudes and laws, but now face a “culture war” with other groups that threatens progress and violence. PO critics can be found in all parts of the ideological world. Big business has embraced an expansive notion of social responsibility, but apart from symbolic gestures, the practical implications are unclear. Government helped POs weather the pandemic, but now is considering measures to restrict donor-advised funds, change disclosure rules, and more aggressively enforce existing laws. And some POs (e.g., in health, the arts, and education) are having difficulty reopening. Still, philanthropy continues to be a more important part of life in the United States than it is in most other countries. Indeed, Harvard social scientist, Robert Putnam, who has researched the decline of POs since the 1950s, now believes we may be seeing a switch to a more “we” outlook toward society, emphasizing common efforts, replacing the “I” (or individualistic) outlook that has dominated the past several decades. If so, whether this will result in a revival of philanthropy (or of government) remains to be seen. But it is clear that the development of the philanthropic sector in the United States is far from finished.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. The COVID-19 pandemic
2. Rising concerns about social justice
3. The Tax Cut and Jobs Act of 2017 (implemented in 2018)

## Future development trends in the philanthropic landscape

The major trends likely to affect POs in the US are the opposite of what they seemed in 2017:

1. Economic growth: Instead of slow economic growth, POs now face an economy in danger of overheating, partly because of post-pandemic consumer demand and partly because of greatly increased government spending. The COVID-19 death rate among the elderly might accelerate the transfer of assets from Baby Boomers to their heirs.
2. Government support: Instead of being “straitened,” government spending in the United States has grown rapidly and shows no sign of abating. POs will not only have to expand and revisit their relationships with government, but also articulate where philanthropy fits in the American version of the “welfare state.”
3. Globalization: Instead of expanding international ties, the United States turned toward “America First,” a direction the Biden administration seems likely to follow. This may make support for POs that work in other countries more difficult.
4. Legal and regulatory framework: Increased IRS and state oversight seems more likely now as demands for greater transparency and accountability have grown.

5. Religion: Surveys continue to show Americans' decline in religious affiliation. This will probably affect which POs will receive support. For example, religious POs working internationally may have more difficulty.
6. "Virtual" POs: The pandemic has forced many POs to use technology in their operations. If this continues, as it probably will, POs will face a variety of financial, employment, and service challenges. More extensive use of technology may also lead to productivity improvements and innovations, but also to new kinds of oversight
7. Use of bonds: Ford and other foundations floated tax-exempt bonds to raise additional money for grants. If successful, this approach could become an alternative to spending from endowment, though an environment with higher interest-rates makes this approach less attractive.

Three key recommendations to improve the environment for philanthropy

- Maintain current high rates of economic growth and avoid inflationary pressures
- Articulate role of philanthropy in a country that may be replacing its traditional neo-liberal policies with neo-socialist ones
- Protect donor and nonprofit autonomy, including privacy in giving, control of governance, and authority over spending

### VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

In the United States, much health care is delivered through POs (though it may be paid by government and business). So, workers for nonprofit health care agencies have borne a large share of the burdens of responding to the pandemic. Charities that gave food, housing, and other services to the needy faced heightened demand as the economy went into recession. Government funding and philanthropic support (which did not decline as much as some had feared) provided the necessary resources. Other POs have had to determine how to continue providing some degree of service while abiding by lockdown, social distancing, vaccination and similar rules. Though most students attend public schools, nonprofits in education were heavily impacted; there was considerable variation in what they did, with some closing down entirely and others operating through a combination of in-person and remote instruction. Following public health guidelines, many states restricted or suspended religious services; this proved to be controversial, and several lawsuits have been filed. Also closed for the most part were recreational clubs, museums and theaters, libraries, and medical clinics. Many sought to develop alternative ways of serving clients, such as outdoor activities or using technology. However, missed services may prove to be a problem for many people. Although economic growth slowed down in 2020, the stock market recorded sizable gains. As a result, foundations and other organizations with endowments benefitted, though increases in grants and spending will not be seen until 2021 or later. Not least importantly, some of the basic research that helped expedite the development of COVID-19 vaccines was done in nonprofit research laboratories, such as at the University of Pennsylvania. This is a useful reminder of the importance

of philanthropy in supporting the development of knowledge whose practical value may be uncertain at the time.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

The most important innovation, and the one most likely to last, is the increased use of technology by POs. From fundraising to service delivery, nonprofits (as well as other organizations) were forced to rely on electronic methods of operating as public health rules made personal contact more difficult, if not impossible. This shift had several implications: Some POs—usually better established, better financed ones—were able to adjust more readily than others, thus increasing already existing disparities among POs. Services that could not be replicated at a distance—e.g., recreation programs and childcare—had to be curtailed or abandoned altogether. The quality and results of online programming and fundraising versus traditional methods still need to be determined. Finally, as public health restrictions are relaxed, POs and the people involved with them will need to decide the best mix of distance and in-person operations. A second important innovation involved decisions by institutional funders to allow recipients of restricted grants to use the money for operating costs. Related was a new policy that enabled art museums to deaccession works in their collections without having to use the proceeds to buy new art. Whether or not this recognition of the importance of unrestricted resources for POs will continue remains to be seen. There have also been reports of innovative collaborations among POs (e.g., theater companies jointly streaming productions) and an increase in informal philanthropic activity (typified by salutes to health-care workers in cities like New York), but these have not been well-documented. As part of its effort to encourage vaccinations, the Biden administration has enlisted over 200 POs into a “community corps.” This marks a return to historical ways of responding to national crises, which entailed intentional partnerships between government officials and civic associations.

Impact of COVID-19 on the philanthropic environment

The pandemic drastically increased demand for some kinds of nonprofit services, and just as drastically reduced it for others. In the short-term, planning and budgeting became more difficult and subject to conditions over which the POs had no or very limited control. Like workers in other parts of the economy, employees of POs lost jobs and income, although government programs sought to reduce the adverse effects. Operations and services had to be reconfigured to comply with public health rules; some organizations, such as religious congregations, had to suspend their activities entirely. Despite all this, POs displayed considerable resilience, partly because donations did not decline as much as might have been expected in a depressed economy. With the pandemic ending, POs are likely to move back toward more traditional ways of operating, although some of the innovations they have utilized—such as greater use of technology in education and health care—will affect their future activities. A large long-term problem will be responding to people who suffered during the pandemic from their inability to attend school regularly, receive treatment for chronic health problems, lost jobs that might not be returning, and other causes. Just as economists expect to see increased consumer demand for goods, POs will face greater demand for the services they provide, as well as for significant amounts of remedial help. In contrast to other crises, such as Hurricane Katrina relief, where POs were sometimes criticized for failing to perform well, public trust in POs seems to have held steady during the pandemic. Although as indicated previously, proposals to increase oversight and limit the autonomy of donors are being considered, support for them has less to do with the pandemic than with concerns expressed in 2020 about social justice and racism in American life. If anything, the pandemic may have reinforced an “America First” outlook in the U.S.

## Anticipated impact of COVID-19 on the philanthropic environment in 2021

If the U.S. continues to return to normalcy, the most immediate challenge to the philanthropic environment will be recovery from the changes and cutbacks of 2020. Depending on the particular type of PO, this is likely to take a variety of forms. Some organizations, e.g., in higher education or the arts, may be unable to recover at all. But the direct impact of the pandemic on the philanthropic environment should gradually wane in 2022 and after. A strong post-pandemic economy should, in fact, generate additional resources for philanthropy (though inflation could spoil the party). However, a number of indirect effects are worth watching. Partly as a result of the pandemic, Americans have become more supportive of an active government, which is reflected in the Biden administration's agenda. This could have a variety of effects on the philanthropic environment, ranging from changed incentives to give because of new tax policies to fundamental questions about what POs should do if the public sector is providing “cradle to grave” services. Also, the pandemic—along with the Trump administration—contributed to an intensification of the “culture war,” the emergence of white supremacist groups, and controversies over racism in American life. The effects of these developments, which seem unlikely to disappear before the 2024 election, on the philanthropic environment are not easy to forecast. In the aggregate, they are likely to make efforts at collective activity more difficult, reduce the ability of POs to serve a “bridging” function, and discourage people from taking part in public affairs. Finally, in 2021, birth-rates in the U.S. dropped to their lowest level since 1979, and opposition to immigration remained high. If the U.S. population is now on a path of long-term population stability or decline, POs will suffer, e.g., in lowered enrollments in higher education. A philanthropic environment ultimately depends on having philanthropic people.

## References

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