

EVOLUTION OF THE ROLE OF PHILANTHROPY, CHARITY, & TAX-EXEMPTION IN THE US



FOCUS ON 501(C)3s

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- Introduction**
- Philanthropy vs Charity**
- Nonprofits (NPOs) vs Not-for-Profits (NFPOs)**
- Current Landscape: Local & US**
- Philanthropy Before US Colonization**
- Evolution of Charity & Tax-Exemption in the US**
- The Great Depression & Beyond**
- An Increasing Need for Philanthropy & Charity**
- Toxic Charity / Hurtful Charity**
- Philanthropy in the EU**

**If time
allows**

Quest Talk Organization [10/02/2026]

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**“IT IS IN GIVING THAT WE
RECEIVE”.**

SAINT FRANCIS OF ASSISI

1181 – 1226

ITALIAN MYSTIC, POET & CATHOLIC FRIAR





“WE MAKE A LIVING BY WHAT
WE GET, BUT WE MAKE A LIFE
BY WHAT WE GIVE”

SIR WINSTON CHURCHILL

1874- 1965

**BRITISH STATESMAN, HISTORIAN, & AUTHOR
NOBEL PRIZE IN LITERATURE, 1953**



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Philanthropy vs Charity

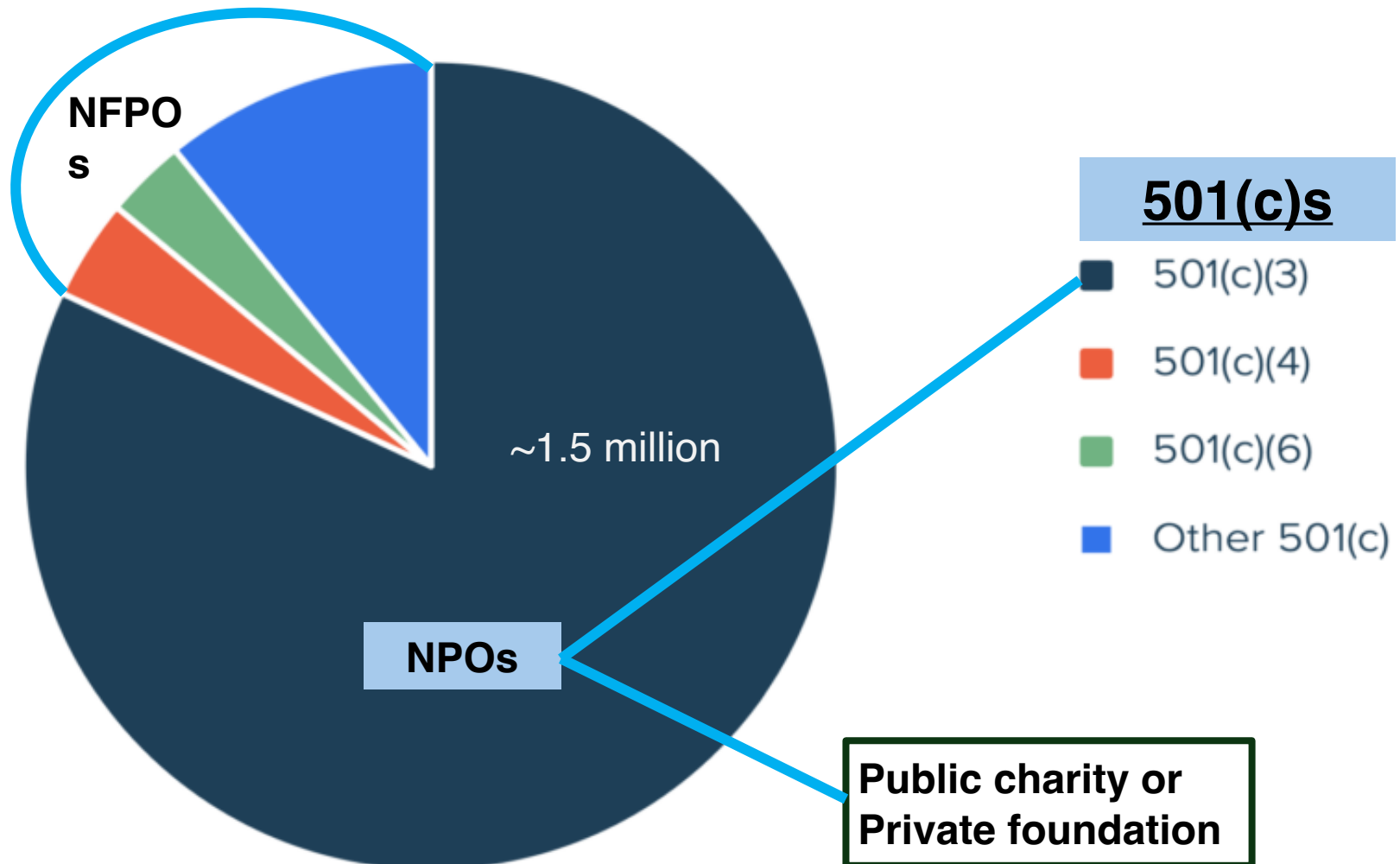
- **Philanthropy:** Desire to promote the welfare of others: literally love of humanity
Ancient Gk: *philos* - “love”, *anthropos* - “humanity”
 - Focus: Root causes of social problems, long-term change
 - Approach: Strategic & proactive
- **Charity:** Voluntary giving of aid to those in need Latin: *caritas* - “affection” / “esteem”
 - Focus: Immediate relief or temporary fix
 - Approach: Reactive

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Breakdown of 501(c) Organizations [US]

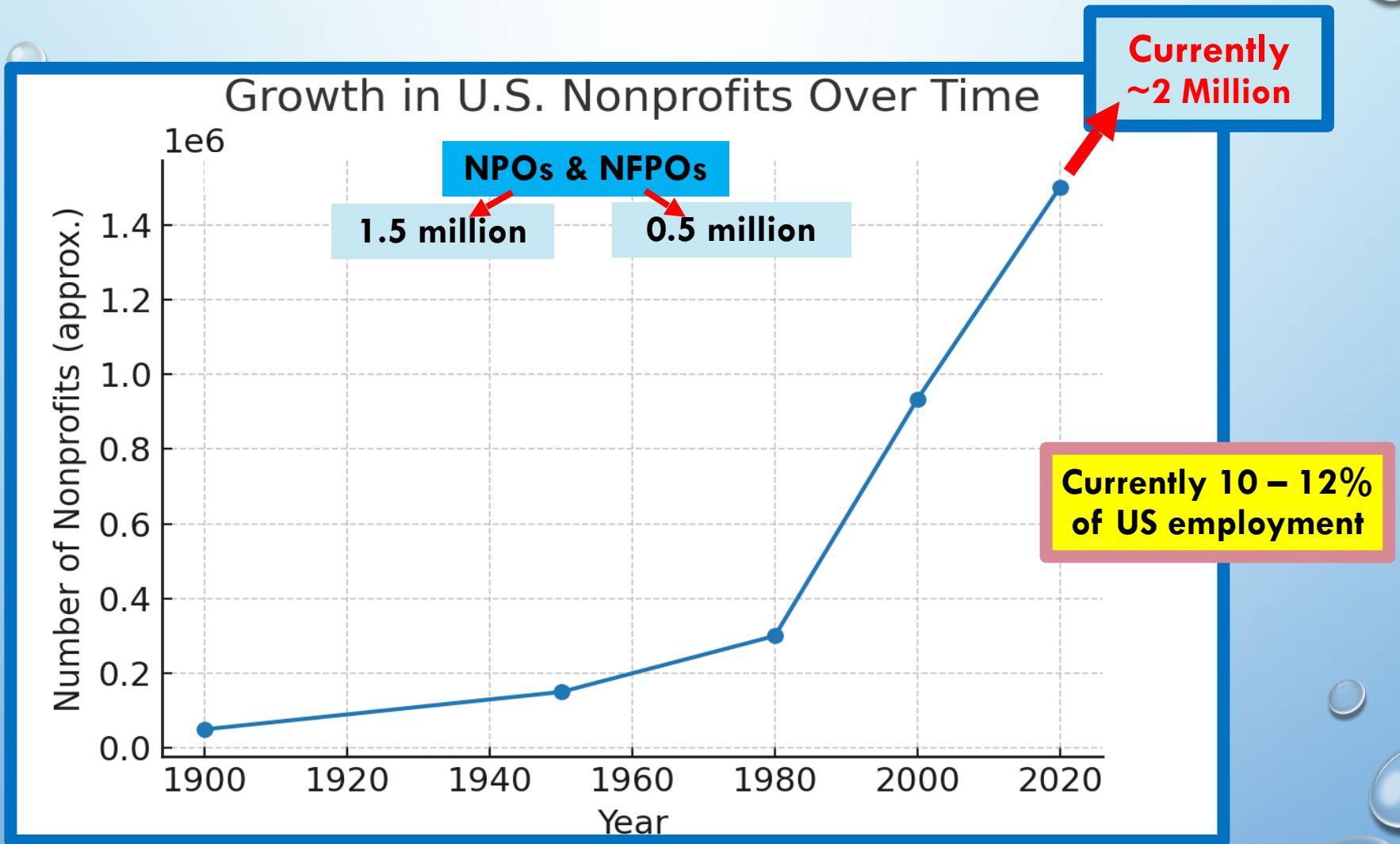
2 million total



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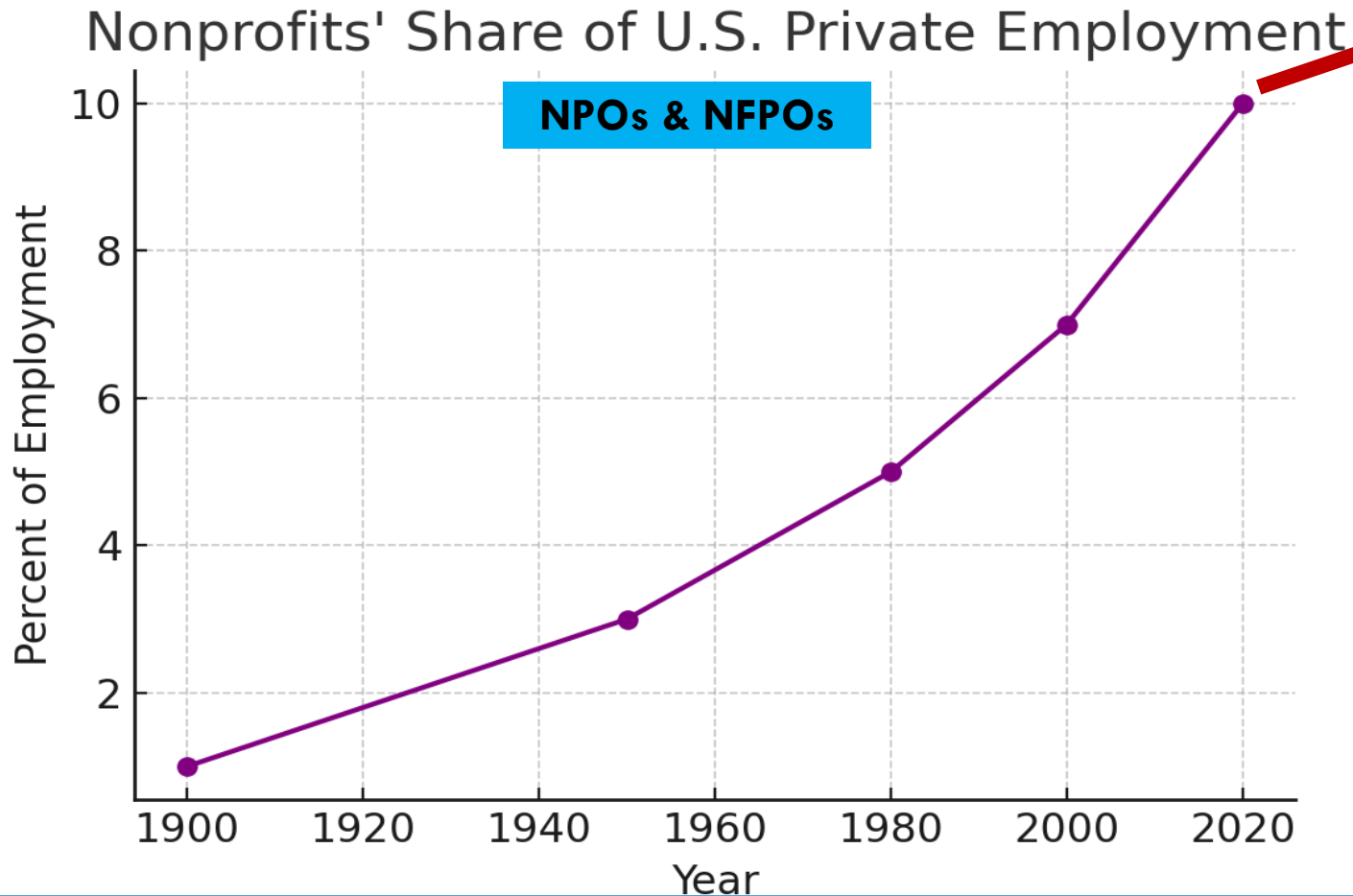
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Growth in NPOs & NFPOs Numbers

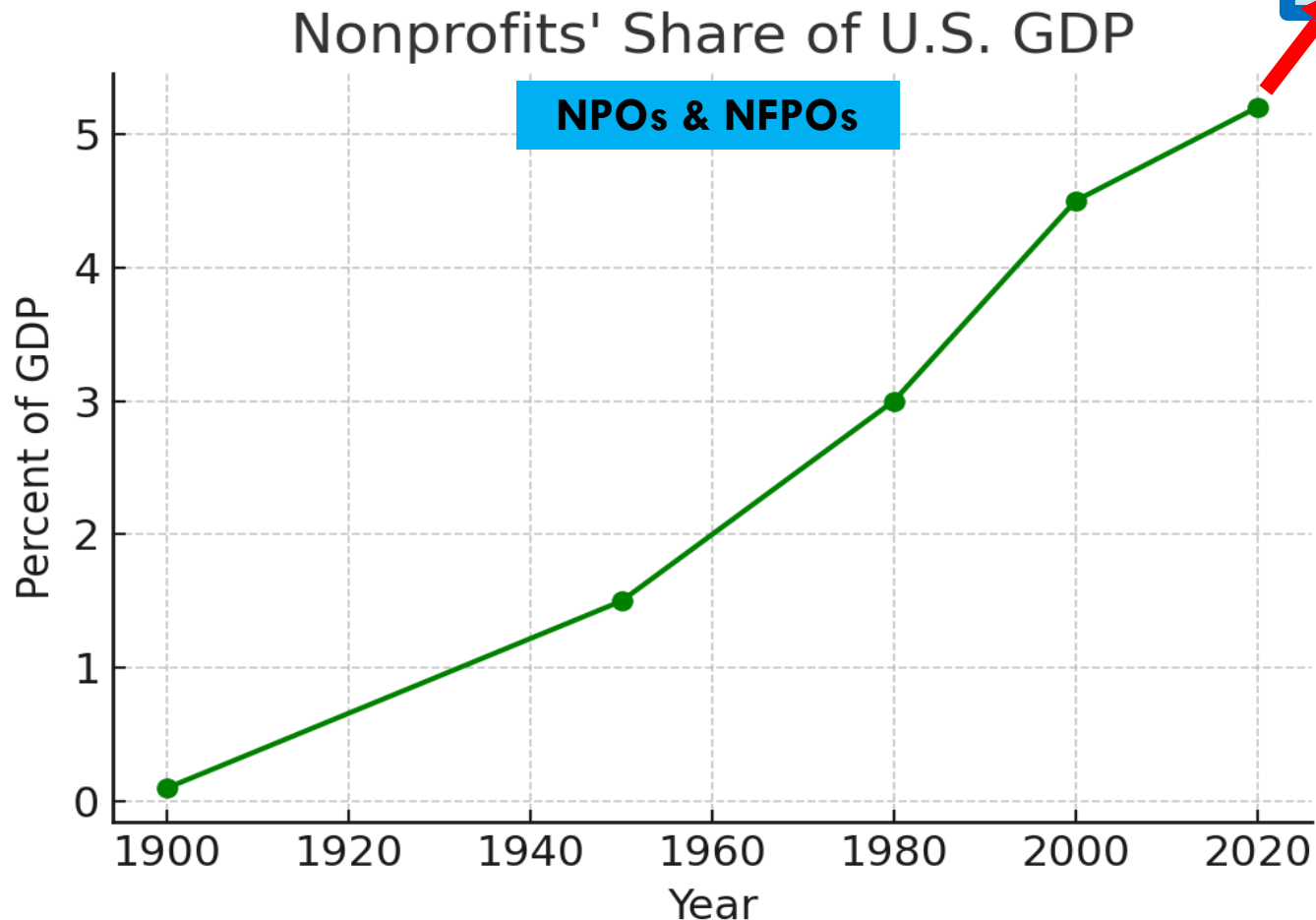


SHARE OF U.S. PRIVATE EMPLOYMENT

**Currently
10-12%**

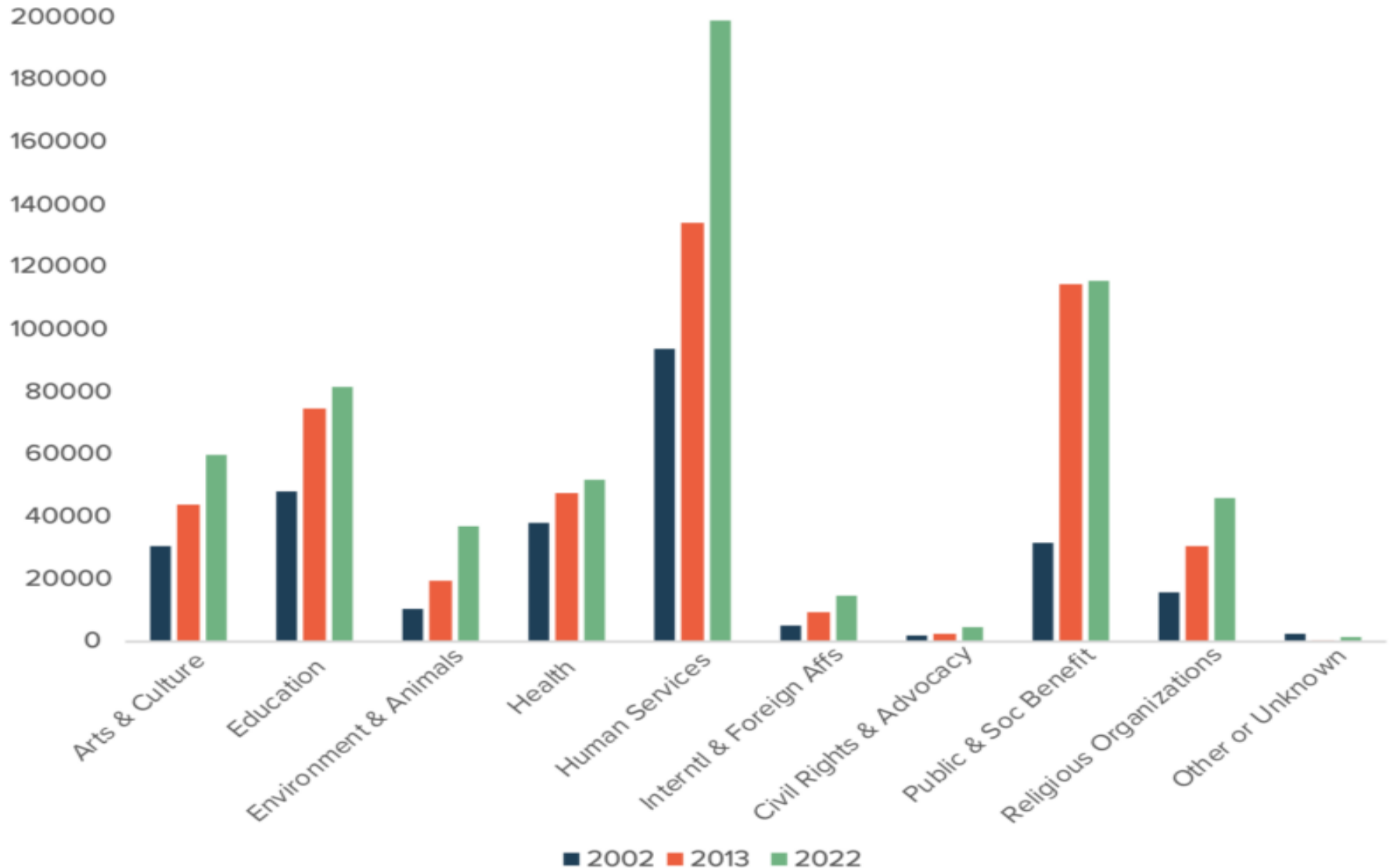


NPOs & NFPOs SHARE OF U.S. GDP



~5.3 % in
2025

NUMBER OF 501(C)3 NPOS IN THE US 2002, 2013 & 2022 BY PRIMARY ACTIVITY



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18TH CENTURY PHILANTHROPY: VOLUNTARY ORGANIZATIONS

- **NO/MINIMAL GOVERNMENT ROLE**

- PHILANTHROPISTS FILLED THE SOCIAL WELFARE GAP

- **FUNDING**

- PHILANTHROPY, PRIVATE GIVING, MEMBERSHIP DUES

KEY PROVIDERS: WEALTHY INDIVIDUALS, CHURCHES,
COMMUNITY SUBSCRIPTIONS

- **EXAMPLE:**

BENJAMIN FRANKLIN (1706 – 1790):

LIBRARY COMPANY OF PHILADELPHIA (1731)

UNION FIRE COMPANY OF PHILADELPHIA (1736)

PENNSYLVANIA HOSPITAL (1755) - 1ST IN COLONIES

19TH CENTURY PHILANTHROPY: VOLUNTARY ORGANIZATIONS

- **MINIMAL GOVERNMENT ROLE**

- PHILANTHROPISTS FILLED SOCIAL WELFARE GAPS

- **FUNDING**

- PRIVATE GIVING, MEMBERSHIP DUES, PHILANTHROPY
- **KEY PROVIDERS:** CIVIL SOCIETY, BENEVOLENT SOCIETIES, CHURCHES, ABOLITIONIST & SUFFRAGE GROUPS, MUTUAL AID LODGES
- **EXAMPLE:**
- ANDREW CARNEGIE (1835-1919)
 - CARNEGIE PUBLIC LIBRARIES – TOTAL 2,509 (1,681 IN US)
 - ACADEMIC/COLLEGE LIBRARIES - 108
 - UNIVERSITIES (E.G. JOHNS HOPKINS (1876), STANFORD (1891), CARNEGIE TECHNICAL SCHOOLS (1900)
 - CARNEGIE HALL VENUE (1891)

19TH CENTURY PHILANTHROPY: SEVERAL CHARITABLE ORGANIZATIONS FOUNDED

EXAMPLES

- **1826 AMERICAN TEMPERANCE SOCIETY**
- **1833 ANTI-SLAVERY SOCIETY**
- **1851 US YMCA**
- **1874 WOMEN'S CHRISTIAN TEMPERANCE UNION**
- **1876 THE JOHNS HOPKINS HOSPITAL**
- **1880 BOYS' CLUB**
- **1880 SALVATION ARMY**
- **1881 AMERICAN RED CROSS**
- **1890 NATIONAL AMERICAN SUFFRAGE ASSOCIATION**
- **1891 STANFORD UNIVERSITY**

CARNEGIE'S LABOR PRACTICES

WEALTH ESTIMATED AT \$309-375 BILLION IN TODAY'S DOLLARS

- **WORK IN HIS STEEL MILLS**

- 12-HOUR SHIFTS, SEVEN DAYS PER WEEK,
ONE HOLIDAY PER YEAR ON THE 4TH OF JULY.

- **A VISITING BRITISH ECONOMIST AT THAT TIME DESCRIBED PITTSBURGH AS** *"GRIME AND SQUALOR UNSPEAKABLE, UNLIMITED HOURS OF WORK, FEROCIOUS CONTESTS BETWEEN LABOR AND CAPITAL, THE FIERCEST COMMERCIAL SCRAMBLING FOR MONEY LITERALLY SWEATED OUT OF PEOPLE".*

ANDREW CARNEGIE (1835-1919)

- **GOSPEL OF WEALTH ESSAY (1889)** - REGARDED AS A FOUNDATIONAL DOCUMENT IN THE HISTORY OF PHILANTHROPY
- ***“IT WERE BETTER FOR MANKIND THAT THE MILLIONS OF THE RICH WERE THROWN INTO THE SEA THAN SO SPENT AS TO ENCOURAGE THE SLOTHFUL, THE DRUNKEN, THE UNWORTHY”***
- ***THE MAN WHO DIES RICH DIES DISGRACED”***
- **HE RAISED 2 MAJOR ISSUES**
 - 1) TOXIC CHARITY
 - 2) THE ISSUE OF WEALTHY DONORS BEING GIVEN DISPROPORTIONATE CONTROL OVER WHERE THEIR RESOURCES GO, ALLOWING THEM TO DEFINE “THE DESERVING”, RATHER THAN ACTUAL COMMUNITY NEEDS, THEREBY REINFORCING POTENTIALLY HARMFUL STEREOTYPES REGARDING POVERTY AND ADVOCACY
- **1901 ON RETIRING:** ***“I RESOLVED TO STOP ACCUMULATING AND BEGIN THE INFINITELY MORE SERIOUS AND DIFFICULT TASK OF WISE DISTRIBUTION”***

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THE GREAT DEPRESSION

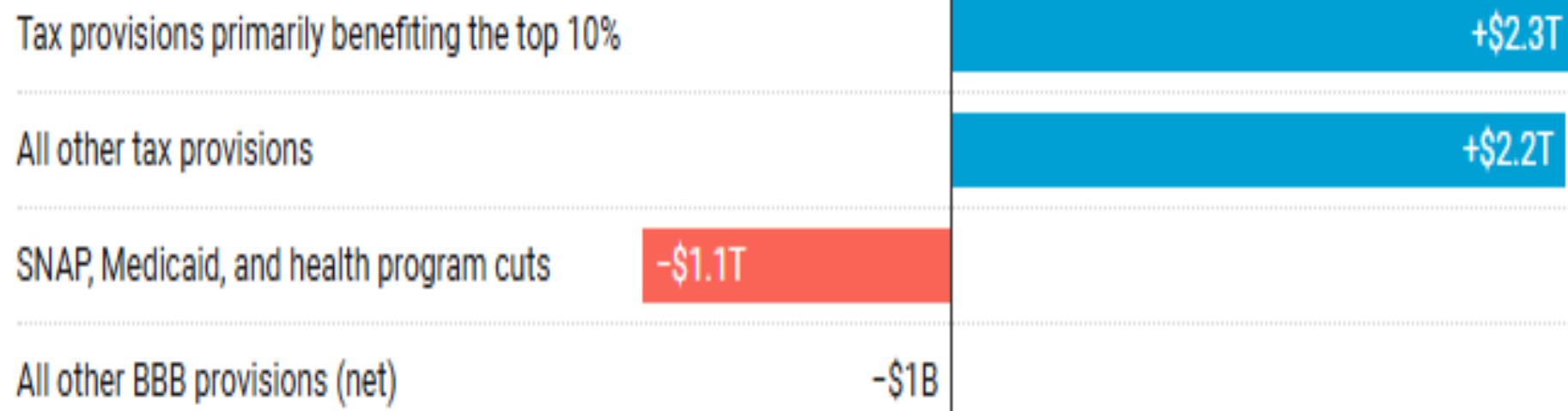
- **“A SELF-REINFORCING ECONOMIC COLLAPSE” TRIGGERED BY**
 - THE STOCK MARKET CRASH OF 1929, THE PROTECTIONIST SMOOT-HAWLEY TARIFF ACT OF 1930, THOUSANDS OF BANK FAILURES, COLLAPSE OF SPENDING, HIGH WEALTH INEQUALITY, MONETARY CONTRACTION, INTERNATIONAL DEBT FOLLOWING WORLD WAR 1
 - RECORD IMPORT DUTIES ON OVER 2000 GOODS
 - GLOBAL TRADE SHUT DOWN
 - US UNEMPLOYMENT OF 25% IN 1933
- **THE NEW DEAL REFORMS UNDER FDR(1933-1939) : EXAMPLES**
 - EMERGENCY BANKING ACT (1933), GLASS-STEAGALL ACT (1933), SOCIAL SECURITIES ACT (1933), SEVERAL REVENUE ACTS (1935,1936, 1937), TENNESSEE VALLEY AUTHORITY (1933)), FEDERAL HOUSING ADMINISTRATION (1934), WAGNER ACT (1835)

WW II & BEYOND

- GROWTH OF GOVERNMENT PARTNERSHIP & PROFESSIONALIZATION
- 1943: FIRST VERSION OF FORM 990
- 1950: UBI CREATED
- 1954: REVENUE ACT (IRS CODE) - 501(c)3, LIMITS ON POLITICAL ACTIVITIES
- 1954 - 1968: CIVIL RIGHTS MOVEMENT, WOMEN'S LIB, ENVIRONMENT
- 1964 - 1968: LBJ THE GREAT SOCIETY, MEDICARE/MEDICAID (1965)
1964: CIVIL RIGHTS ACT, ECONOMIC OPPORTUNITY ACT (JOBS CORP, ADULT BASIC EDUCATION, SMALL BUSINESS ASSISTANCE, 1965 HEAD START, ETC
- 1969, 1973: RULES RE. PRIVATE FOUNDATIONS
- 1973: FILER COMMISSION REPORT
- 1976: CHARITABLE LOBBYING RESTRICTIONS
- 1986: COMPREHENSIVE OVERHAUL, TAX INCREASES, INCENTIVES FOR GIVING
- 2026: PUBLIC LAW 119-21 (OBBBA)

The Big Beautiful Bill (BBB) mainly cuts taxes, health care, and SNAP, with most tax cuts benefiting the rich

Deficit impact of BBB provisions, 2025–2034



Source: CAP grouping of provisions in Congressional Budget Office, "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline" (Washington: Congressional Budget Office, 2025).

Chart: Center for American Progress

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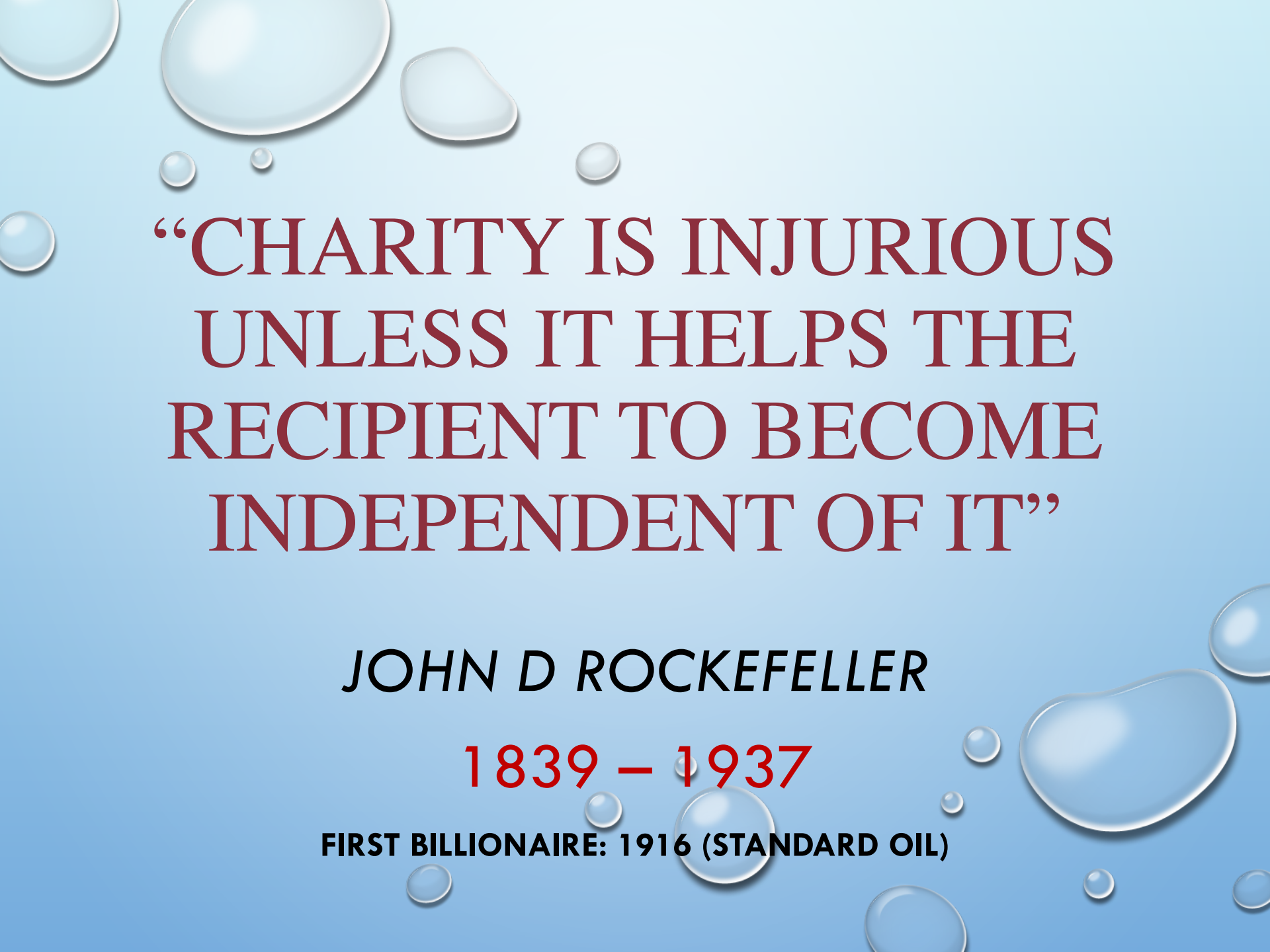
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FACTORS LIKELY TO INCREASE DEMAND FOR PHILANTHROPY & CHARITY

- 1) GOVERNMENT CUTS (LOCAL, STATE, & NATIONAL)**
- 2) BUDGETARY CONSTRAINTS THAT REDUCE SOCIAL SERVICES**
- 3) DEMOGRAPHIC SHIFTS OF VARIOUS SORTS**
- 4) ECONOMIC INSTABILITY & DECLINING SAFETY NETS**
- 5) INCREASING NEED FOR MENTAL HEALTH SERVICES**
- 6) WIDENING SOCIAL & HEALTH DISPARITIES**
- 7) EXPECTED INCREASED CLIMATE-RELATED ISSUES & DISASTERS**
- 8) LIKELY INCREASING GLOBAL INSTABILITY**
- 9) A PROBABLE WIDENING WEALTH GAP**
- 10) THE “NONPROFIT AS NECESSITY MODEL”**

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“CHARITY IS INJURIOUS
UNLESS IT HELPS THE
RECIPIENT TO BECOME
INDEPENDENT OF IT”

JOHN D ROCKEFELLER

1839 – 1937

FIRST BILLIONAIRE: 1916 (STANDARD OIL)

TOXIC CHARITY

- **TOXIC CHARITY:** THE CONCEPT THAT CHARITY OFTEN HURTS THOSE IT IS DESIGNED TO HELP
- **UNEXAMINED CHARITY:** THE KIND THAT FAILS TO ASK THE HARD QUESTIONS ABOUT OUTCOMES - ONLY PERPETUATES POVERTY, ROBS PEOPLE OF DIGNITY, STIFLES INTUITION, AND CAN FOSTER A “WHAT HAVE YOU DONE FOR US LATELY” SENSE OF ENTITLEMENT.
- **AN ARGUMENT** FOR EMPOWERMENT THROUGH EMPLOYMENT, LENDING, AND INVESTING RATHER THAN PROVIDING HANDOUTS, AND FOR PROMOTION OF SELF-RELIANCE RATHER THAN DEPENDENCY THEREBY RESTORING DIGNITY, AND FOR GUIDANCE ON THIS PROCESS THROUGH MEASUREMENT OF THE IMPACT OF THESE APPROACHES.

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Philanthropy in the EU & Elsewhere

- **Ancient → Renaissance** (religious charities, individuals, families, rulers)
- **EU: welfare states- expanded post WW2** (eg NHS in the UK - out w/ Brexit)
 - **27 countries** (452 million population),
2.8 million charities, 18,000 PBOs (public benefit organizations) similar to NPOs - mainly established in the last 20 years
 - **E.g. France & Germany: largest philanthropic markets: both ~3.9 % of GDP** ~10% of workforce employed in the philanthropy sector
 - tax exemption if money is related to their public mission
- **Elsewhere:** varies greatly by cultural traditions, governmental & legal systems
 - Muslim nations:** traditionally religious giving via zakat (mandatory almsgiving), sadaqah (voluntary giving), and waqf (endowments) – very productive
 - Russia:** government grants, corporations (80 % give), individuals (50% of population gives)
 - Asia:** varies w/ religion, government
 - China:** recent heavily state run, digital philanthropy, varies by region
welfare: guaranteed minimum income, 1993 began in cities, 1999 to rural areas
 - Indonesia:** #1 in world, massive individual participation, zakat
 - India:** large corporations mandated to give 2% of average net profits for charity
 - Africa:** largely local community networks, mutual aid, family foundations
 - Latin America:** corporate foundations & territorial community foundations