

Evolution of the Role of Philanthropy, Charity, & Tax-Exemption:

Focus on Nonprofits [NPOs] in the USA.

The primary purpose of this talk is to demonstrate how and why philanthropy and charitable activity has evolved.

However, at the outset, a quick medical note. Medical research shows that charitable giving can be beneficial to one's health. Functional MRI scans reveal that the brain's mesolimbic system, which mediates pleasure and reinforcement learning, is triggered not only by drugs, food, stress, pain, social interactions, and sex, but also by charitable giving. Health benefits include improved mental health, and improved physical health [e.g. enhanced immunity, less inflammation, lower LDL-cholesterol levels, better blood sugar control, lower body mass index, and increased longevity]. So, long live charitable giving – pun intended. Charity is linked to greater self-esteem, and better quality of life, which when you think about it, may also just result from the ability to afford to be charitable. I should note that examples of charitable acts include giving of yourself (examples include time, energy, skills, clothes, blood, even body parts).

After its ratification in 1913, the 16th Amendment gave Congress the power to tax income. Since then, tax provisions have evolved from 16 pages to almost 4000 pages and are trending increasingly complex. Michael J. Graetz, Professor Emeritus of Tax law at Columbia University, who has been a major contributor to many aspects of tax policy, has commented that using the Tax Code for social policy is “the magic elixir to solve all difficulties”, and also noted that “Tax law is six times longer than *War and Peace* and not nearly as easy to read”. The Tax Code has been crafted over many years by a long list of interested parties, often with quite

diverse and special interests, including labor unions and more recently tech “bros” and crypto “bros”. A cynic might consider its complexity probably deliberate, and to some extent possibly nefarious. However, governmental and philanthropic goals, and roles, have in fact co-evolved together largely for the public good. Government has used tax policy to influence the behavior of economic and social institutions and has profoundly shaped the development of US philanthropy and NPOs through use of the tax code, and conversely social institutions such as NPOs have influenced government policy. In 1983 when ruling that the IRS could deny tax-exempt status to private religious schools that practiced racial discrimination, the Supreme Court weighed in on this topic in the case of Bob Jones University v. United States, by stating “Both tax-exemption and tax-deductibility are a form of subsidy that is administered through the tax system”.

Philanthropy vs Charity

The terms philanthropy and charity are often used interchangeably, yet they represent distinct approaches to supporting social causes. The word philanthropy originated in ancient Greece and literally translated means “love of humanity”, derived from the words “*philos*” for love and “*anthropos*” for humanity. Philanthropy is typically characterized by a strategic, long-term commitment to addressing the underlying causes of social issues, and the development of initiatives to create beneficial and lasting change within communities. The word charity originated from the Latin word “*caritas*” for affection or esteem and has evolved to mean the voluntary giving of help to those in need, typically focused on providing more immediate relief. Charity of course also refers to the organization or

institution that performs or facilitates that relief. Charitable acts are therefore often direct responses to urgent or relatively urgent problems, such as providing food, shelter, or medical assistance during times of crisis. So, while both philanthropy and charity play vital social roles, philanthropy relates more to resolving systemic challenges, whereas charity relates more to addressing pressing needs as they arise.

Nonprofits [NPOs] vs Not-for-Profits [NFPOs]

There are 2 distinct entities in the federal tax-exempt space, Nonprofit Organizations (NPOs) and Not-for-Profit Organizations (NFPOs), and they are often conflated. As I have indicated, the IRS/tax code is highly complex. The primary section of the tax code which covers organizations that Congress has considered socially or economically deserving of tax exemption is Section 501(c) which has 29 subsections. Subsection 501(c)3, which itself has several subsections, covers private foundations and public NPO's. Public NPOs are required to dedicate themselves to creating and serving some form of public trust or public mission. They operate as separate legal entities which pay no federal taxes on income received through fundraising, provided those funds are acquired through activities related to their mission. They pay federal tax on income unrelated to their mission (UBI) and may be required to pay state and local taxes. They must follow strict regulations including absolute prohibition of lobbying and political campaign activity. Typically, they are overseen by a board of directors with fiduciary responsibilities to their mission and donors. To maintain their federal tax-exempt status all public NPOs (except religious organizations), must file a yearly IRS Form 990, which is public, detailing

their activities, governance, revenues, expenses, and assets. They usually rely heavily on fundraising, partnerships, grants, and donations (which are typically tax deductible as income if used to support their mission). If they realize surplus income (which is not unrelated business income – i.e. not UBI), at the end of a fiscal year they may hold the surplus to reinvest in their mission. Private foundations are included in subsection 501(c)3, and must file a yearly Form 990-PF. They are required to pay a small excise tax of 1.39% on net investment income, and 5% on net assets (using qualifying distribution rules) which may be used for charity. Other 501(c)3 organizations include national and local charities, religious organizations (including churches, integrated auxiliaries and church associations), educational and scientific organizations, museums, hospitals, and organizations providing public safety testing, prevention of cruelty to children and animals, and fostering of national and international amateur sports.

Not-for-Profit Organizations (NFPOs) is the general term for a federal tax-exempt entity which has a mission but exists purely for the benefit of members rather than for public trust. Because of this member-driven status they have fewer requirements. They are technically not-for-profit since any profits they may make must be reinvested into the organization and not distributed to members or any private owners. They are covered under 501(c) subsections other than 501(c)3. They are typically smaller, less formally structured than NPOs, and often run by volunteers. They are not required to provide a yearly Form 990 disclosure. Like NPOs they can generate revenues through membership dues, grants, and donations, however these may not be tax deductible. They qualify for federal tax exemption but may be subject to local and state tax and some may receive

exemptions from property and sales taxes. They may engage in political activity that is defined in their 501(c) subsection provided it is related to their tax-exempt purpose. Examples include 501(c)4 organizations such as the NRA, the ACLU, and civic leagues such as the Rotary Club, 501(c)5 labor and agricultural organizations, 501(c)6 chambers of commerce, business or professional associations, 501(c)19 and 23 veterans' organizations, and the list goes on and on.

Current Landscape: Local & US

NPOs and NFPOs together number approximately 2 million, of which 75% are 501(c)3 NPOs. They have become an integral part of US society, contributing to the economy and employing approximately 12.8 million people, or roughly 10 to 12% of all private sector employment. Consequently, the tax-exempt sector is the third largest employer in the US economy behind retail, and food and hospitality.

Locally, the Community Foundation of Greater Fort Wayne, the fifth community foundation established in the US, in 1922, noted in their 2024 report (which is 2023 data) that there were 2,238 tax-exempt organizations in Allen County [1 for every 178 citizens] – of which 83% were 501(c)3 NPO's, an approximate 20% increase between 2012 and 2022. Approximately 12% of the Allen County workforce were employed at an organization with some tax-exempt status. In 2023 the largest category of NPOs in Allen County was religious, numbering 494 (or 27% of all tax-exempt organizations]. Approximately 30% of Allen County tax returns included a charitable contribution declaration in 2020.

By contrast, approximately 50% of US households made a charitable contribution in 2020, which was a decrease from 66% in 2000. US charitable giving in 2025 reached approximately \$617.2 billion, a 3% inflation adjusted increase over the 2024 total, with individuals contributing \$395 billion [or 64% of the total], and the remaining 36% contributed by foundations [18%], bequests [12%], and corporations [6%]. The top recipient sectors were religious [25%], Human Services [16%], and education [15%]. The “Giving USA Annual Reports” notes that charitable giving, as a percentage of an individual's disposable personal income, which has usually been in the 1.9% to 2.0% range, dropped to a 40-year low in 2022 at just 1.7%, and remained at that level from 2022 to 2025. Charitable giving in the US as a percentage of disposable personal income has fallen to this level three other times in the last 40 years in current dollars: in 1987 with the Black Monday stock market crash, and in 2008 and 2009 during the Great Recession. I could not find an estimate of charitable giving as a percentage of disposable income for Allen County. Historical IRS data for Allen County indicate an average of 1.34% of adjusted gross income as charitable giving, however IRS data underestimates actual charitable giving since the IRS misses non-itemized contributions.

Philanthropy Before US Colonization

Archeological and historical studies have shown that philanthropy and charity have been a characteristic of hominin societies, likely evolving as a survival strategy initially based on reciprocal helping. Philanthropic activity, from hunter-gatherers to the present, has been driven by several factors

including altruism, morality, identity and belonging, social norms, duty, religious tradition, and of course by self-interest, reputation, and legacy. Before and during the Middle Ages, philanthropy and its funding in multiple pagan and Abrahamic religious traditions was primarily driven by a desire for social standing and religious salvation, and by concepts of religious duty, which appear similar in multiple religious traditions. For example, in Catholic Europe theologies such as “The Seven Corporal and Seven Spiritual Works of Mercy” promoted support of religious orders and churches, establishment of charitable guilds, funding of leper houses, and the provision of alms for widows and the so called “deserving poor”, such as orphans and the sick, with infirmaries in monasteries providing care for the poor and sick. In the 13th to 15th centuries, there was a surge in philanthropy primarily directed to hospitals and leper houses due to social disruption following plagues, atonement for the sin of greed, intense religious anxiety concerning the afterlife, and the rise of a wealthy merchant class seeking social status and salvation.

During the Renaissance in the late 14th to 17th centuries, a period of so-called European “rebirth” in culture, politics, economics, science, and philosophy, there was a resurgence of philanthropy due to increasing religious devotion, a growing interest in humanist philosophy, a wealthy middle class, and the desire by wealthy elites to establish social influence and political power. Charity was generally viewed as a moral obligation for wealthy elites, such as the Medici in Italy, the Fuggers in Germany, and various other rulers who supported religious and civic institutions, funded artists and scholars, and built public buildings such as libraries, hospitals, orphanages, work homes, and women's shelters.

Evolution of Charity & Tax-Exemption in the US

The first successful settlement by English colonists in N. America was founded at Jamestown, Virginia in 1607, to establish a commercial settlement for resource extraction and to find a path to the Pacific. Starting in 1619 thousands of European colonists and black African slaves arrived in English North America. The contemporaneous English “Statute of Charitable Uses Act” of 1601 (also known as The Good Causes Act) was enacted to prevent trustees abusing or misusing gifted money and property. In its famous preamble the Act listed multiple approved charitable purposes overseen by government, which included the relief of aged, poor, impotent, and disabled people, support for orphans and “marriages of poor maids”, support of schools of learning, and road and bridge repair. Historians have noted that these English laws appear to have provided a blueprint for charitable practices in several other countries, and in colonial America at that time and beyond.

Between the early 1600s and the 1860s there was a lack of clarity regarding the role of government in philanthropy and charity. Early settlers such as the Puritans and Quakers had followed the English laws and established mutual aid societies, churches, and schools to support their communities. Philanthropy at that time was dominated by religious and community-based organizations that established charitable societies to address social problems like poverty and illiteracy. In 1755 Benjamin Franklin pioneered the matching gift concept for securing funding for the construction of the Pennsylvania Hospital, the first hospital in the American colonies. He has been considered the founding father of philanthropy in the

US based on his many endowments and donations [often made anonymously].

In 1789 President George Washington signed The Judiciary Act which created the US Supreme Court and defined its role and the structure of the judiciary. In 1819, the Supreme Court in “The Trustees of Dartmouth College v. William H Woodward” case [referred to as the Dartmouth Decision], ruled that the privately funded college, a charitable corporation governed by a board of trustees, which had a charter from King George 3rd from 1769, could not be changed to a State university under the Contract Clause of the Constitution. The decision ruled 5 to 1 that corporate charters are a contract protected by the Constitution which shields non-governmental charitable institutions from political takeover and state control. This decision helped pave the way for the birth of an independent nonprofit sector in the US because, amongst other things, it gave charitable organizations institutional independence and encouraged philanthropy to move beyond government.

Several charitable organizations were founded in the 19th century before the Civil War: examples including the American Anti-Slavery Society, the Grand United Order of Odd Fellows in America, both in 1843, and the YMCA in 1851. To help fund the Civil War President Lincoln signed the 1861 and 1862 Revenue Acts which provided the first statutory federal income tax which levied 3% on individual income greater than \$800, or \$30,359 today, with exemptions for charities, religious institutions, and educational organizations. In 1872 Congress allowed the tax and its exemptions to expire.

In the late 1800s after the Civil War, people sought opportunities in the booming factory economy that resulted from rapid industrialization. Cities expanded dramatically and produced urban population explosions from rural migration and copious immigration. Rapid economic growth resulted in the development of a massive wealth gap between the urban working class and the industrialist capitalist class. Severe social challenges emerged, including overcrowding, insufficient housing, unsafe working conditions, and widespread poverty. A wave of charitable organizations gradually emerged to address these societal needs, offering aid to the vulnerable and those in need, thereby laying the foundation for modern social services.

One of these industrialist capitalists was a Scottish immigrant Andrew Carnegie, who profited greatly from imposing grueling work practices in his steel mills where his workers labored under very hazardous conditions. Later in life, despite his abysmal labor record, Carnegie became one of the first major modern philanthropists. He argued that wealthy individuals have a moral obligation to use their fortunes for the public good and proposed that the rich should act as trustees for society by using their wealth to fund philanthropic projects such as libraries, universities, and public parks to benefit the community. His 1889 essay “The Gospel of Wealth” is regarded as a foundational document in the history of philanthropy.

In the late 1800s to early 1900s, as the old agrarian economy transitioned to a much larger expanding wealthy industrial economy, government recognized that there was an increasing need to rationalize tax policy. Revenue needs were greatly expanding to support urbanization, industrialization, infrastructure, education, public health, and national defense needs, and the national debt needed to be addressed. The federal

government, which at that time collected revenue primarily from excise taxes and import tariffs, needed more revenue, and recognized that help from charities and the voluntary sector in general was required to address these issues. As a result, the 1894 Wilson Gorman Tariff Act was passed, creating the first peacetime federal tax of 2% on corporate profits and personal income over \$4,000, about \$155,000 today. It also reduced overall tariff rates compared to the 1890 President McKinley tariffs, and provided tax exemption for charitable, religious, and educational organizations, thereby laying the foundation for the creation of the 501(c) system. However, one year later, in 1895, the income tax component of the Act was struck down by the Supreme Court, in a 5: 4 decision, in *Pollock v. Farmers' Loan & Trust Co*, because taxes on real estate and personal property were considered an unapportioned "direct tax" and not a tax apportioned by population to the States tax, as required by Article 1, Section 9 of the Constitution. The apportionment provisions for federal taxation of personal income were removed after the 16th Amendment was ratified in 2013.

In the early 1900s philanthropy was mainly local: few national charities existed. Those that did included the Salvation Army, the American Red Cross, and the YMCA and YWCA. In 1904 Charles Ward and Lyman Pierce, who were YMCA executives, with the help of a publicist, developed a national advertising campaign deliberately limited to 26 days, called the Whirlwind Campaign, paid for with corporate donations, to fund building a new YMCA in Washington DC. This was the 1st of its kind fundraiser, netting \$90,000, equivalent to \$3.42 million today, and is regarded as the model for the modern "capital campaign". It was called the "YMCA School" of fundraising and subsequently the "Ward Plan". Over the next decade this

group raised over \$60 million (more than \$1.9 billion today) for the YMCA worldwide.

The first formal philanthropic foundation, established in 1867, was the Peabody Education Fund, which promoted education in the Southern states. By 1907 there were eight similar foundations in operation, as industrial age wealth increasingly sought to transfer massive wealth into tax-exempt entities. The first professionally managed family foundation, the Russel Sage foundation was formed in 1907, followed by the formation of the Carnegie Corporation of New York in 1911, and the Rockefeller Foundation in 1913. Initial tax-exemption legislation was included in the 1909 Revenue Act which introduced language prohibiting private inurement and imposed a 1% tax on corporate revenue greater than \$5,000 (about \$183,000 today), with exemptions for charitable, religious, and educational organizations. After ratification of the 16th amendment to the Constitution by the required number of states in 2013, which empowered Congress to levy income taxes, the subsequent 1913 Revenue Act essentially established the modern federal income tax system. The Revenue Acts of 1917 and 1918 which helped fund World War 1, amongst other things, increased the tax pool, markedly raised tax rates especially on personal income, formalized tax deductions for charitable donations and estate tax deductions for charitable bequests, introduced the original form 1099, greatly increased the complexity of the tax system, and as a result birthed the CPA profession.

The Great Depression & Beyond

The Great Depression was a major turning point for philanthropy since it directly shifted more responsibility for social welfare to the federal government. The New Deal (1933 to 1939) launched by FDR during his first presidency, provided a set of reforms aimed at restarting the economy, providing relief to low-income people and the working-class, and preventing another depression. These reforms resulted in reshaping the work landscape for tax-exempt organizations and redefined the government's role in social welfare. The 1934 Revenue Act set limits on lobbying activities by charitable organizations. The Social Security Act of 1935 prompted the creation of a public welfare system establishing Aid to Families, Old Age Social Security, and Unemployment Insurance. The Revenue Act of 1936 allowed corporate tax deductions for charitable contributions. The global crisis that included and followed the prolonged Great Depression, with millions displaced and economies destabilized, had profound effects on the nonprofit sector by shifting its focus, increasing its scale, and centering its efforts around food distribution, medical care, and psychological support. These social challenges changed public perception, positioning the public as critical partners in addressing political and humanitarian crises. For example, under the urging of general George C Marshall, several charities joined together in 1941 to create the USO, serving active-duty service members and their families. The Revenue Act of 1943 established Form 990, intended to prevent charities from abusing tax-exempt status and to provide the public with details regarding their activities. The Revenue Act of 1950 created the unrelated business income tax rule (the UBIT rule) a federal tax on all tax-exempt organizations (except for churches, and 501(c)1s, which are established by a direct act of Congress), that taxed income that exceeded \$1,000 (about \$13,850 today)

from regular commercial activities not related to the organization's exempt mission). Interestingly, the UBI threshold is still set at \$1,000. Following this the Revenue Act of 1954 comprehensively reorganized the tax code, essentially establishing the modern tax code, including section 501(c) defining tax-exemption, and limits on political activities.

Between 1954 and 1968 during the Civil Rights Movement many NPOs and NFPOs became pivotal in advocating for civil rights and social justice by building advocacy into their work. Organizations, such as the 501(c)4 NAACP and the 501(c)3 Amnesty International USA, emerged as powerful voices for marginalized communities and human rights. During this time NPOs and NFPOs increasingly engaged in lobbying efforts, public education, and grassroots mobilization to raise awareness and influence government policies.

In January 1964 President Johnson at his first State of the Union address announced his "unconditional war on poverty" and the Office of Economic Opportunity (the OEO) was created, launching several programs including Medicare in 1965 as a universal medical safety net for those 65 and older and prevent denial of coverage to seniors which was prevalent at that time. Medicaid was also established in 1965 as a state and federal partnership to assist those with low income and bolster welfare programs and long-term care. NGOs and NPOs were profoundly influential in shaping and executing these "War on Poverty" government programs, and as government programs expanded during and after the 1960s NPOs also expanded, since the government increasingly contracted them to take on service delivery.

Before and throughout the 1960s there was a growing governmental concern regarding tax fairness in general, including a particular concern that foundations, especially family ones, which were classed as 501(c)3s, were less accountable to the public than other charities, and were being used as tax shelters. The landmark 1969 Tax Reform Act defined a private foundation as a 501(c)3 nonprofit funded by a single person, a small group, a family, or a corporation, distinct from a 501(c)3 public charity: “self-dealing” was prohibited, a 4% excise tax on net investment income, and a 5% annual minimum distribution of income with rules was introduced. Interestingly, these regulations have not restricted the enormous growth of private foundations: since that time: the sector has expanded from ~20,000 in 1970 to ~125,000, currently holding over \$1 trillion in assets (~2/3 being family related).

Since the 1969 Tax Reform Act tax laws relating to public NPOs have not changed in any major way. Examples of changes include a reduction in the net investment income excise tax for private foundations from 4% to 2% in 1978, regulations regarding 990 forms, and other minor changes to various tax donation percentages.

However, in 1973, because of concern from philanthropic leadership regarding certain stipulations of the 1969 Tax Reform Act and concern regarding increasing governmental scrutiny, the privately supported Citizens’ Commission on Private Philanthropy and Public Needs (better known as the Filer Commission) was founded and funded by John D Rockefeller 3rd and several others. Chaired by John H Filer, the CEO of Aetna Life and Casualty, it had 90 very prominent members. Its mandate was to “examine the role of the voluntary sector in American society, strengthen its effectiveness, and restore public trust”. 86 research projects

were performed, and their final report entitled “Giving in America: Toward a Stronger Voluntary Sector” was published in 1975. Key recommendations of the report were split into 19 proposals that remain relevant today, related to issues such as need for reform, alignment with government, broadening the base of philanthropy, expanding volunteerism, lobbying and accountability, transparency, promotion of giving, and enhancing tax deductibility. Several of their proposals have been adopted partially or fully: several have not, including the formation of a permanent Congressional commission on the nonprofit sector. The report remains the most comprehensive study of the nonprofit sector, providing a comprehensive analysis of the voluntary sector and its impact, and has served as a foundation for discussions on philanthropy and tax policy since that time.

In the 1980s and beyond, NPO growth was promoted by increased collaboration with government leading to greater shared responsibility in service provision. Evolving trends in recent times include more emphasis placed on transparency and accountability impacting spending and governance, and an increasing focus on outcomes and their alignment with government priorities. Crisis response, often partnering with government agencies, has also become more prominent, as has an emphasis on shaping public policy through advocacy, lobbying, and research initiatives. The rise of technology, especially since the advent of the world wide web, the internet, and massive proliferation of personal computers has enabled NPOs to enhance their efficiency and outreach, which facilitates their influence and integration into their communities, and into government strategy and planning.

To summarize briefly, since 1913 there have been at least 39 Revenue Acts, and tax exemption rules have evolved into a complex tightly

monitored and highly regulated system, as philanthropic goals and roles have evolved due to increased recognition of inequality and social deprivation, effects of national and global crises, and technologic advancement. The 1986 Tax Reform Act is notable since it improved incentives for charitable giving and donation and helped align tax exemption with public expectations.

However, the current administration's passage of Public Law 119-21 [aka The One Big Beautiful Bill] on July 4th, 2025, has imposed the largest cuts in basic needs programs in US history, and is predicted to consequently significantly impact NPOs. Estimates by tax experts on how much the new law will influence charitable donations are quite variable. The National Council of Nonprofits in 2025, during passage of the bill, had estimated a net reduction in resources available to Nonprofits of at least \$81 billion over the next 10 years. The IU Lilly Family School of Philanthropy in March 2026 estimated a reduction in overall US charitable giving of \$5.69 billion per year resulting in the loss of approximately \$57 billion in NPO resources over the next 10 years: likely a more accurate estimate.

An Increasing Need for Philanthropy & Charity

Many factors are likely to increase the demand for philanthropy and charity in the years ahead including:

- 1) Local, state, and national government cuts (including in the OBBB) with shrinking support for programs like Medicaid which serves 20% of the US population cut by \$1 trillion over 10 years, and SNAP which serves 12.3% of the population every month with federal funding cut by 20% to 30%

- 2) Budgetary constraints that reduce social services such as food assistance, free clinics and shelter programs, and threaten Social Security
- 3) Demographic shifts: such as worker squeeze and burnout, decreased fertility rates, increasing longevity and an aging population with increased elder care needs growing the so-called “Sandwich Generation” having to care for young children and aging parents simultaneously
- 4) Economic instability and declining safety nets: for example from inflation, job cuts, less personal and family savings, probable increased unhoused status, declining United Way and religion related donations, and rent burden [defined as greater than 30% of income going to rent: the US average is ~30%, Ft Wayne’s rate is 44%]
- 5) Increasing need for mental health services: for example related to likely increasing life stress and substance abuse
- 6) Widening social and health disparities that government systems may increasingly fail to adequately address: including poverty, racism, dietary issues, and preventive care
- 7) Expected increased climate change disasters and related issues
- 8) Likely increasing political instability [both US & global]
- 9) Widening of the wealth gap due to increasing underemployment and unemployment related to AI agents, generative AI, and to robotics
- 10) The “Nonprofit as Necessity Model” where NPOs are regarded as essential rather than merely charitable, since they provide critical services such as shelters, food banks, and medical care for the most vulnerable. More people will likely need and seek help, and increasingly people will come to rely on NPOs for help despite likely decreasing resources

Toxic Charity / Hurtful Charity

Toxic charity is the concept that charity often hurts the people it is designed to help. In his 2015 book called *Charity Detox* Robert Lipton, who is a champion of this concept, notes that “most non-civic charity, which is charity not focused on improving civic life, is harmful and serves as an Indictment of the field. He notes that we cannot serve people out of poverty as much as we may want to. He points out that our models of what it means to be good and do good are wrapped up with images of soup kitchens, food pantries, homeless shelters, and give-away programs, that foster unhealthy dependency. He argues that 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. Those who promote this concept argue for a more complex and time-consuming approach that fosters self-sufficiency for those who depend on charitable one-way handouts. They recommend limiting one-way giving only to emergency situations and never doing for the poor what they have the capacity to do for themselves. They argue for employment, lending, and investing rather than providing handouts, and for promotion of empowerment and self-reliance rather than dependency thereby restoring dignity, and for guidance on this process through measurement of the impact of these approaches.

Philanthropy in the EU & Elsewhere

EU: philanthropy in Europe has its origin in ancient Greece and Rome, evolving through almsgiving to Christian churches and monasteries and bimaristans (Islamic hospitals in Islamic Europe), to charitable brotherhoods, hospitals, and to cities providing poor relief in the late Middle

Ages, to laws based on Elizabethan Poor Law in the Renaissance, to the Industrial Revolution which produced massive poverty leading to expansion of social insurance and welfare programs, in turn fostering the development and expansion of welfare states in Western Europe in the 20th century. Consequently, many of the functions that US philanthropy support, and which have evolved through a system of private philanthropy in the US, in Europe are the responsibility of governments in these welfare states. In the EU there is no common legal definition of charity – it varies by country. Nonetheless, philanthropy in Europe is said to be flourishing and increasingly operates across borders. Currently there are approximately 2.8 million charities in the EU, including just over 180,000 public-benefit organizations (PBOs) which are defined by their public benefit purpose. PBOs have mostly emerged within the last 20 years and are quite similar to US NPOs. They are exempt from corporate taxes related to their public benefit mission but must pay taxes on other business activities. They serve a population of about 452 million (1 for every ~2,500 people). Annual charitable contributions in 2022 (reported in March 2026 due to the complexity of collecting data) amounted to €104.5 billion according to the European Research Network on Philanthropy - households contributed 50%, corporations 24%, foundations 20%, and bequests 8%. Charities tend to operate alongside strong state-led social welfare models. Nonprofit sectors typically contribute approximately 5% of most European countries' GDP. However, France and Germany, which have the largest philanthropic markets in size, growth, and wealth, generate approximately 3.9% of GDP and employ roughly 10% of their workforce in their charitable sectors. Like the US, European governments encourage individuals and businesses to give charitably through tax incentives. Most countries in the EU allow tax

deductions for donations to approved public-benefit organizations (PBOs or NGOs). For example, in Germany an individual can deduct up to a maximum of 20% of their pretax income as a donation: if more than 20% is donated the excess can be applied to a future year. Perhaps not surprisingly 50% of Germans donate to charity every year.

Otherwise, philanthropy and charitable practices vary greatly dependent on cultural traditions, and governmental and legal systems.

Muslim countries: ancient traditions of zakat, (mandatory almsgiving), sadaqah (voluntary giving), and waqf (endowments) are still practiced today and are very productive.

Russia: the government provides grants, 80 % of corporations give, and 50% of individuals are said to give.

Asian Countries: philanthropic practices are quite variable, dependent on religion, government and local traditions

China: philanthropy varies by region and has recently been heavily state run after largely having been neglected by the Mao regime. Recent welfare is primarily based on minimum income and was developed in cities in 1993 and expanded to rural areas in 1998. Digital philanthropy is prevalent.

Indonesia: zakat (mandatory almsgiving) is present and there is massive individual participation. It is said that the country is #1 for giving in the world.

India: large corporations are mandated to give 2% of average net profit to charity yearly.

Africa: local community networks, mutual aid groups and family networks provide charity

Latin America: corporate foundations and territorial community

foundations primarily provide charity

Thank you for your attention

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