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## Is giving going away - Transcript

[Speaker 1]

Welcome to Charity Therapy, a podcast about building better nonprofits. I'm your host, Jess Birken. Did you know that charitable giving is declining in America?

Studies have recently shown that only 53% of Americans now give to nonprofits. Is giving going away? I contacted my friend Steve to talk about it.

[Speaker 2]

All right, let's begin. I'm Steve Boland. I'm the managing partner at Next In Nonprofits.

We do social fundraising and social communications for nonprofit growth. And I think the social part of that is really important for our conversation today because we talk about how to reach and engage audiences, using people that kind of support your work already as connection points to other people that might be interested in supporting your nonprofit mission.

[Speaker 1]

Right on. Well, I'm super excited that you're here because, as you know, I like to check out the Twitter every morning with my cup of coffee. And recently I saw this article that basically said that donor giving is down.

And I don't off the top of my head remember the exact stats, but over the past three years, they've been measuring, and they've been saying that donor giving is down and donor giving specifically is down at religious institutions. And you sort of came to mind immediately as like, oh, who would I want to talk about this with? Steve, right?

Because I feel like you would have lots of things to say about something like that, because I feel like a lot of these pieces get published and, you know, you have to wonder like, are you getting the whole story, or does it mean what they seem to be insinuating with the clickbaity titles that these things come with? Right. So I'm super interested in your take on whether you think, you know, giving is going away or giving is going down over time, because that's a scary idea for nonprofits, and especially for small nonprofits where, you know, they're trying to build their donor base.

And to hear that donor giving is decreasing is sort of a terrifying prospect.

[Speaker 2]

Yeah, it feels a little alarming, but I also agree it's not the whole picture of everything that we know. So being able to follow things like the GivingUSA report, which is in part done with the Lilly Family School of Philanthropy, which did a separate study apart from their usual GivingUSA stuff, has been tracking that the overall number of individual donors has not kept pace in the United States with the number of people that could be donating. And the amount that they're giving is actually kind of falling back just a little bit, too.

If you look at it unadjusted for inflation, it's not much of a blip at all. But if you adjust it for inflation, it's three or four percent reduction in dollars from individual donors. Overall, giving is still up.

Foundations are seeing better returns on their invested money. So they're doing a little bit more. Corporations have got higher profits.

They're doing a little bit more. So the overall total amount of money to support charities is still rising, but the individual donor is not coming in in the ways that these studies know how to measure. And there's, I think, the really important question to ask of what are they measuring?

[Speaker 1]

Yeah, say more about that, because, you know, maybe some of our listeners aren't even aware that these studies are happening. If you're a very small nonprofit that's just starting out, you may be not thinking globally and looking at these big sector issues.

[Speaker 2]

Well, first of all, it's important to note this is still a lot of money coming from individual donors. It may be down a little bit, but it's still billions and billions of dollars that are available from individual donors. So it's still a big sum, even if it's been declining a bit.

But the traditional ways that people think about how do we look at that is to go to government issued reports about what money is coming out in the tax deductible gifts that are being reported for people giving money and reporting that as something on their tax returns. And a couple of years ago, that became something that very few people, comparatively speaking, need to itemize for anymore, because the individual deduction has changed by doubling. Most people don't see the advantage of claiming those gifts as a tax deductible thing any longer.

They may still be making them, but they're not putting them on a tax form that we can measure. So it doesn't show up as a tax deductible gift on that end.

[Speaker 1]

And so the thing you're talking about is recently in the past couple of years, the tax law changed, and that standard deduction amount increased in such a way that, frankly, it's not like I made tons of money. And I think the standard deduction has been better for me in many years. So, you know, if you're an itemizer, you're sitting there toting up all of your goodwill drop offs and your small donations and then TurboTax or whatever you're doing, your H&R Block person says, yeah, that's nice, but it didn't do anything for you.

You're going to take the standard deduction. So the amount of people who fall into that category now is much bigger. So if we're actually measuring giving based on strictly IRS tax filings, it seems flawed.

[Speaker 2]

One side of it is coming from individuals' filings, but the other side of it comes from the charities' filings and how much did we bring in from gifts. And then we get a little bit better picture of what they're recording anyway, which may be a more complete picture than what individuals might be able to claim on their taxes. So that's one thing.

But the article that you found references a slightly more complete study that faculty at the Lilly School in the University of Indiana is further based, the School of Philanthropy, where they really were using better methodology to understand this. It wasn't just tax data. They were doing some survey work and trying to get that piece.

But again, kind of coming back to the point of, are you giving to the traditional charitable institutions as something that we can measure? And for a long time, more than a third of individual donors have been going to churches. That's where most, I mean, the largest plurality of the type of sector that gets money had gone to religious institutions, faith-based organizations.

And mostly that would be the community house of worship that you attend. That's the place where most of the money went. And fewer and fewer people are actually identifying as members of those congregations.

That number is dropping. And that is, in fact, when you look at the deductions that are reported, the biggest drop that we can see is less money going directly to community-based houses of worship. And that is the biggest part of the impact.

But it's not the only way that people think to give. And I think that's the other change that's happening that doesn't show up here. So when I think about how people are being solicited to participate in community and give, there's a lot of us that have been doing nonprofit work for a while going, well, you got to make sure you put, you know, your donation is tax deductible to the fullest extent of the law on all of your stuff, because that's going to be a motivator for that donor.

[Speaker 1]

Oh, yeah. You and I went to grad school together, and that was like a big part of one of our classes. Oh, yeah.

The values exchange, the tax deductible amount, that can never go away, or we'd be screwed.

[Speaker 2]

And for some people, that is important. Those big itemizers, that maybe matters. And for other people, it may matter for just reasons of thinking, I feel better knowing that this institution I'm giving to was somehow vetted, and they have a legal status that I can kind of look at and go, OK.

Cultural signaling.

[Speaker 1]

You know, we have decided as a culture that if you're tax exempt, it's deductible, therefore it's good, which is not necessarily the measure of whether it's a good donation or not, but it is.

[Speaker 2]

And I think we're seeing that now, that giving is growing in areas that don't necessarily rely on your legal status. So the growth and explosion of things like GoFundMe, where people are giving to individuals, and in fact, in most cases, that gift ends up causing a tax liability for the person that gets it, right? They're not getting a charitable gift.

They're getting a gift that is a taxable part of income to them. But the individual that's giving is, I'm helping out somebody in my community who has a horrible disease or who has a house that they have to fix or whatever the thing is. And \$5 billion have flowed through that site.

Most of that money hasn't been going through organizations that have a tax-deductible legal status. So is giving really completely dropping, or is it shifting a little, where some people are not only not taking a tax deduction, but they're not even giving it to tax-deductible entities. They're giving to something that they see as important and they want to be a part of, but they're less motivated by what's the legal status of the thing I'm giving to.

[Speaker 1]

It's interesting just thinking about the intersection of identity politics and all of that, like the hyper-small circle of like, this matters to me and my circle in my life, therefore I will give to that because I care about this on a very micro, it's like the micro-lending thing, like micro-donating.

[Speaker 2]

It's a lot of what I'm trying to do with NextGen nonprofits, with the actually legally incorporated charities, though, is it's networks reaching to networks about specific causes that people care about. Instead of getting a letter in the mail from your neighborhood nonprofit, Inc., saying your contributions are tax-deductible, that you're writing a check to a group that wants to help in general towards a big cause, which is very different from A. Smith down the road who can't make rent next month.

They're out on Twitter with a GoFundMe link saying, I just need \$900. I'm not looking for millions of dollars to do a big thing. I need this much to make rent.

People are finding the value in giving in those spaces, and that's part of the overall picture of giving. Is giving dead? No.

Is it shifting a little? Yeah. I think we're seeing some of that.

[Speaker 1]

Well, and there's something about those individual GoFundMe. It's very concrete. It's very specific, and it's very, like, I know exactly where this is going and who it's going to benefit.

I think the idea that you're just going to throw money at a cause in general feels good, but it's a lot less concrete. I know there's a really fantastic fundraiser that I follow on Twitter who was watching the Giving Tuesday returns come in for her nonprofit clients and sort of doing a little assessment of, like, what campaigns played well, what generated lots of dollars, what didn't, and the things where the person, the donor, was communicated to in a way that made them the hero in a very specific way where it was very concrete, seemed to me that those had worked better. And so I think that that gets to your point.

And, like, this morning there was a tweet from the whiny donor whose account I absolutely love because she's, like, super critical about all the campaigns. Like, I feel like she donates \$20 to, like, a million charities just to get on their direct mail list so she can, like, see what's happening. But it literally was, like, the appeal was just, yes, I want to make a tax-deductible gift in the amount of, with, like, some checkboxes.

And, you know, her point was just sort of, like, you got to do better. And I think that's what you're saying as well. How are you connecting to the donor's, like, feeling that this is going somewhere meaningful, supporting something that's local to them or just important to them on a very specific level?

[Speaker 2]

Right, and recognizing that some charities are going to continue to have the strategy going out for larger donors where the tax deductibility is a real advantage, and it matters to them and you need that. You know, if you've got a development office of ten staffers that are having meetings with high-network folks and whatnot, you know, absolutely, they're going to want to understand that that's part of the strategy. But if what you're thinking is I need to reach a larger number of people to do the \$25 and \$50 donations, I think we're seeing that the value of the legal incorporation of the nonprofit isn't necessarily the only thing.

It may come into play some. But if you've got that compelling story that people can really understand right away and I think more importantly is being shared by friends as opposed to, you know, I got a piece of bulk mail that I probably didn't open because I don't open most of my bulk mail. But, you know, if I got a piece of bulk mail and I did bother to open it and it says, look at all the good work we do, we help thousands of individuals, we do these things, you know, whatever.

If it just continues to be that relationship with an institution that I don't feel very personally connected to, talking about the abstract, that's not bad, but it is so much better to go, you



know, my friend just told me that these folks are doing some really good work and I see that there's this individual family that has this need that I can be part of helping. Wow, that feels more connected, it feels better. Maybe that's how I come in.

[Speaker 1]

So that's interesting. It just reminds me of, you know that Hacker International? Yeah.

Sponsor a goat.

[Speaker 2]

Right, you are buying a animal for a family and they'll sometimes kind of give you the little sample family that you're helping to get on their feet.

[Speaker 1]

Have you seen organizations that you've worked with or that you're aware of, like do you have any examples that you can share from the Twin Cities that were like this sort of thing worked really well for an organization?

[Speaker 2]

Well, yeah, I think, you know, one of my bigger learnings about this whole thing early on when I started Next in Nonprofits was working with an organization called Eastside Freedom Library and we had to raise some money to match a grant to replace a roof, which is not an exciting thing.

[Speaker 1]

It's not sexy.

[Speaker 2]

Right.

[Speaker 1]

Let's just be honest.

[Speaker 2]

But the founders of that work were both connected to Macalester College, and both had pretty deep networks within the academic community and a lot of folks who have healthy incomes, not major donor or making million dollar gifts, but they can afford to make something meaningful. And the connection wasn't I'm so excited about a new roof, but it's wow, my friend's project to do this thing means the building has to be stabilized. And because of that connection to those networks, we had a much easier time raising money for something that's not particularly like exciting, but it's that personal the friend desk, not necessarily like the thing was all that compelling or whatever.

But the flip side of it might be more the professional engineer's foundation in Minnesota that I do some work for. I sponsor Minnesota Math Camps, which is a math competition for middle schoolers. And the number of people who go, it's my kid, it's my grandma is giving for my kid.

And it's not really their kid in particular, but their kids participating and they're getting the benefit of being engaged in this thing. So where the charitable gifts come in to support math camps isn't directly benefiting that individual so much, but it is completely that story that is bringing the donors to the table where we're doing, you know, other more traditional asks and grant writing and all the rest of it. The easier connection to individual donors has absolutely

become come because of things like math camps, where you can show pictures of individual people that these kids advance to the next round.

They're representing their region. They're very proud of themselves. They feel great.

And those stories are totally what is bringing individual donors in, most of whom are giving in a tax deductible way because we're a tax deductible organization. It's how we collect it, but not because of a tax deduction.

[Speaker 1]

Yeah, I cannot even tell you how many startup consultations that I have done where the person who's trying to start a nonprofit just really fundamentally thinks that you get your money once your C3 determination letter comes in the mail. I spoke to someone pretty recently where they got their C3 determination letter and then they were basically doing cold call fundraising. They didn't even have programs yet.

And they were super surprised at how hard it was to raise money for a general idea, you know, like support the vets or whatever. And it was like, you have no story. There's nothing to tell.

You can't explain to people where this money goes, or you can't make a compelling case about this. It seems to me like, you know, the C3 exemption or C4 or whatever you're getting is important, but it's certainly not the end all be all. And I think it's clear from the stories you're sharing and from the data that people are giving, but they're giving about things that mean something to them.

And the tax exemption is really a hallmark of someone has blessed this as meeting regulations. That's just the beginning.

[Speaker 2]

Can be, yeah. And again, I think that we've had this conversation many times where there are folks that want to do something good in their community. And that question of, do you need to be a charity to do the good?

Or can you just get the good done and be done with it and not have to incorporate and form a board of directors and look at insurance policies and all the things that come with actually managing a nonprofit well. So there are people that are willing to give, regardless of that particular status. I guess the question is, if you're going to be a sustaining ongoing community resource and you want to get to those larger donors some days where that may be meant, OK, sure, absolutely.

But, you know, if it's a small project around, you know, this group of kids for this thing, you know, go find me or whatever other kind of similar tool like that might be the thing. Just I always encourage people recognize there's going to be a tax impact to somebody when you use those things, you know, whoever is the end beneficiary. So you've got to be a little bit careful.

If it's a few hundred dollars, it's not a big deal. But if you raise \$20,000 for somebody and they aren't actually paying a medical bill with it, because that would be a tax deductible expense. So that may be kind of is a wash, but they could actually end up in a little bit worse of a situation from your help because of a tax bill for the donated revenues.

Got to be careful.

[Speaker 1]

Right. I mean, it reminds me of the old Oprah episode, like my favorite things. She gave everybody a car.

Right. And then that blew up because everybody that got the car, all of a sudden it didn't work because they had to pay taxes on the car. And now you have this big gift and it's like this when it was just kind of complicated.

Right. And I think that people don't, you know, you almost can't have something like that go viral.

[Speaker 2]

You got to be careful.

[Speaker 1]

Yeah, because it really does. You bump somebody into another tax bracket. In fact, I was just talking with a client the other day.

They were sort of toying with the idea of expanding their programming and doing something where they would give scholarships or tuition subsidies or something like that. And I was like, well, the first question that you need to be asking is, how is this going to impact the person that we're trying to help? Because there may be a tax issue for them.

And if we are putting them into a bigger tax bracket that they weren't anticipating, is there, you know, before you even ask me about the legality of it or for us, like we need to do a little due diligence on how does that impact your beneficiary? Because you don't want to end up hamstringing these folks.

[Speaker 2]

I think the biggest learning to kind of take away from this whole thing is we look at the reduction in giving because of reduction in people that are members of faith communities. I think that there is still going to be a need or a space for community connection that maybe used to get filled in a church when people were more connected in a synagogue or a mosque or whatever their particular history may have been. But as they leave that, there's an opportunity to go, well, how are you giving back if you're not doing it through that mechanism?

How are you connected to other people? How are you sharing your values? And charities can be part of that conversation.

And I can think it's that this money could shift if it's not going to be going to support the operations of organizations that it used to support. It doesn't mean that people can't give or are unwilling to give. They're just no longer part of that community.

So how do other efforts connect to those folks? And I think that's going to be exciting to see play out in coming years as more and more people kind of choose different paths.

[Speaker 1]

Yeah, I agree. Well, that is a great place to end that conversation. So, yeah, nonprofits, how are you making people part of your community?

OK, so as with all guests, we must ask you three questions. All right. All right.

So first question, do you want to give a shout out to your favorite charity or cause?

[Speaker 2]

So many, but I will pick one that I'm volunteering for, which is the Minnesota Freedom Fund. And I do some volunteer work for them to end cash bail in Minnesota. And in the meantime, while we're working on ending that system to provide access to bail funds for people that don't have them.

We just did some calculations that we got our four hundredth individual to be able to continue to have their job in their house while they're waiting for the day in court. And there's a lot of people out there who, unfortunately, can be incarcerated for months and months at a time because they don't have three or four hundred dollars to get out. So that's the one I will shout out, Minnesota Freedom Fund.

[Speaker 1]

That's awesome. And that, you know, as a lawyer, obviously, that's I recommend that is a super important cause. So I love that shout out.

All right. Second question. Weirdest job you ever had or maybe weirdest part of it.

[Speaker 2]

I don't know that I've had very many weird jobs, but I will mention, I think, my my long three week stint in fast food. I tell I tell this story a lot that I was very fortunate to try some other part time jobs working through college and whatnot. But I tried the fast food thing for a while.

And on a training shift, the supervisor told me, you need to wipe down that counter. I'm like, oh, no, just wipe it down. It's all clean.

He's like, wipe it down again. I'm like, oh, this is what this job is. Oh, my goodness.

I got to go. I can't work here. What's the end of that?

[Speaker 1]

Doesn't follow direction. All right. And final thought here.

Third question. What advice would you give your younger self?

[Speaker 2]

I'm so excited when I talk to new people coming into this field to kind of tell them we all are learning all the time. And if you're young and new to this and all the rest of it, you are coming in, you go, wow, I don't feel like I should sit up and say something or try to feel like I have anything valuable to say. You know, I've been doing nonprofit work for twenty five years, but I've been in the workforce longer than that.

And I'm always learning and there's always something valuable to learn from new voices. So don't feel like you have to wait for some period of time. I wish I could have figured that part out a little bit earlier.

And I hope other people learn that lesson sooner.

[Speaker 1]



That is great advice. Always be learning and always be willing to raise your hand. Very cool.

All right. Thanks, Steve.

[Speaker 2]

I always love talking to you, Jess. Thank you.

[Speaker 1]

All right, folks, that's our show. Be sure to follow me on Instagram or Twitter at Jess Birken. We want to hear from you.

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## About the Author



**Hi, I'm Jess Birken.**

I'm the owner of Birken Law Office, I help nonprofits solve problems so they can quit worrying and get back to what matters most – The Mission. I'm not like most attorneys, I actually have an outgoing personality, and – like you – I like to think outside the box. Most of my clients are passionate and have an entrepreneurial spirit. I'm like that too. My goal is to help you crush it. Getting bogged down in the minutia sucks the joy out of the important stuff. My clients want to do the work – not the paperwork.

**Let's connect!**

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