

## Wealthiest Don't Rate High on Giving Measure

By Ben Gose

Dividing the country into red states and blue states shows far more than who will likely vote for Mitt Romney or Barack Obama in the next presidential election. It's also one of several ways to gauge generosity, according to a *Chronicle* study that charts giving patterns in every city, state, and ZIP code.

People who live in red states are more likely to give generously to charities than those in blue states.

The regional differences in giving are stark: In states like Utah and Mississippi, the typical household gives more than 7 percent of its income to charity after taxes, housing, food, and other living expenses, while the average household in Massachusetts and three other New England states gives less than 3 percent.

The same holds for the nation's 50 biggest metropolitan areas. *The Chronicle* found that residents of Salt Lake City, Memphis, and Birmingham, Ala., typically give at least 7 percent of their discretionary income to charity, while those in Boston and Providence average less than 3 percent.

The reasons for the discrepancies are rooted in part in each area's political philosophy about the role of government versus charity: At least 13 states now offer special tax benefits to charity donors, often in the hopes of stimulating giving at the same time that lawmakers are adopting big cuts in government services.

As the nation seeks to recover from the worst economic slide since the Great Depression, the cities and states with the most-generous residents may be in a better position to help the millions of people still suffering from joblessness and other financial setbacks, say experts.

"There's a storm coming," says Bruce Katz, vice president at the Brookings Institution and an expert on the nation's cities. "Which places are prepared?"

Mr. Katz says local governments should be thinking hard about how to encourage giving because "we don't have the welfare programs that we have had in the past. The need for individual giving is greater than it has been in modern memory."

### Taxes and Religion

*The Chronicle's* study, based on Internal Revenue Service records of Americans who itemized their deductions, provides an unusually rich look at giving by geography and income level.

The study uses data from 2008, the most recent available, and provides detail about the relative generosity of states, cities, towns, and even ZIP codes based on the share of discretionary income their residents gave.

*The Chronicle's* study examines taxpayers who earned \$50,000 or more. They donated a median of 4.7 percent of their discretionary income. Altogether, they provided \$135-billion to charity, nearly two-thirds of the \$214-billion donated by all individuals in 2008, according to "Giving USA," the benchmark of American giving.

Among other findings:

**The rich aren't the most generous.** Low-income people give a far bigger share of their discretionary income to charities. People who make \$50,000 to \$75,000 give an average of 7.6 percent of their discretionary income to charity, compared with an average of 4.2 percent for people who make \$100,000 or more.

**The 1 percent really are different.** Rich people who live in neighborhoods with many other wealthy people give a smaller share of their incomes to charity than rich people who live in more economically diverse communities. When people making more than \$200,000 a year account for more than 40 percent of the taxpayers in a ZIP code, the wealthy residents give an average of 2.8 percent of discretionary income to charity, compared with an average of 4.2 percent for all itemizers earning \$200,000 or more. (See article on Page 8.)

**Tax incentives matter.** State policies that promote giving can make a significant difference and in some cases are influencing the rankings. In Arizona, charities are reaping more than \$100-million annually from a series of tax credits adopted in recent years. (See article on Page 17.)

**Religion has a big influence on giving patterns.** Regions of the country that are deeply religious are more generous than those that are not. Two of the top nine states—Utah and Idaho—have high numbers of Mormon residents, who have a tradition of tithing at least 10 percent of their income to the church. The remaining states in the top nine are all in the Bible Belt.

**When religious giving isn't counted, the geography of giving is very different.** Some states in the Northeast would jump into the top 10 when secular gifts alone are counted. New York would vault from No. 18 to No. 2 in the rankings, and Pennsylvania would climb from No. 40 to No. 4.

### **Utah Tops the List**

Perhaps nowhere is the role of religion clearer than in Utah, where the majority of residents are Mormon.

The Provo-Orem metropolitan area is especially generous, with its residents giving an average of 13.9 percent of their discretionary income to charity.

James T. Evans, chief operating officer at Xactware, a software company in Orem with 450 employees, says he saw the number of Xactware employees who donate to the United Way shoot up from a handful a few years ago to 70 last fall, after the company sent a record number of volunteers to a "Day of Caring" event organized by the United Way.

"The volunteering hooks people into the important needs in our community," Mr. Evans says. "Then during the workplace campaign, they say 'Gosh, I've seen some of those needs—I should give a little more.'"

Mr. Evans and his wife, Tana, also give generously, on top of their support for the Mormon Church. While watching their daughter play high-school basketball, they noticed the boys teams always got more attention. That prompted the couple to endow a women's basketball scholarship at Brigham Young University for \$250,000.

The Evanses also give more than \$10,000 a year to the United Way and make gifts to their school district to pay for small projects. "After taking care of our home and putting some aside for retirement, we just look for opportunities to give the other stuff away," says Mr. Evans, who became mayor of Orem last October.

### **Giving 'Primes the Pump'**

People like Mr. Evans are common across America, says Arthur Brooks, president of the American Enterprise Institute, a conservative think tank. Mr. Brooks wrote a book, *Who Really Cares*, that examined research on giving and found that religious people give more generously to secular charities—even environmental causes and the arts—than nonreligious people.

"They're just in a giving culture," Mr. Brooks says. "You give to one thing, and it primes the pump and you give more to everything."

But some nonprofit experts question whether religious donations should even factor into generosity rankings. "Giving to a church is a different kind of giving than giving to other charities," says Steve Rothschild, founder of a job-training program in Minneapolis. "Giving to a church is 'inward-centered': You get a personal benefit from it. If you're giving to an antipoverty program, it's 'other-centered.'"

Nonprofit boosters in New Hampshire might be happier if religion were excluded. A study by the Center on Philanthropy at Indiana University found that the residents of New Hampshire—which ranked dead last in both surveys by *The Chronicle*—weren't stingy; they were simply nonbelievers.

"New Hampshire gives next to nothing to religious organizations," says Patrick Rooney, the center's leader, "but their secular giving is identical to the rest of country."

In *The Chronicle's* study, New Hampshire rises from last to 38th—still in the bottom quartile—after the adjustment to remove religious giving.

Starting in 1999, the New Hampshire Charitable Foundation tried to stimulate greater generosity through a public-awareness campaign about the state's low giving rates, but it didn't accomplish much, and it has since been largely disbanded.

"I don't think data and finger-wagging inspire people," says Deborah Schachter, who once directed the Giving New Hampshire drive and still works at the community foundation.

One part of Giving New Hampshire that survives is the foundation's sponsorship of a segment on public radio that highlights one charity a week.

“People give to causes and organizations that they’re passionate about,” Ms. Schachter says. “What we can do as a foundation is to help tell those stories, to connect donors to things that move their hearts.”

### **Incentives Help**

While not every donor may admit it, it’s not just a pull at the heartstrings that encourages giving but the tug of the taxman.

That’s why 10 states now allow individuals to receive state tax credits worth as much as 100 percent of the donation when they give to organizations that provide scholarships to private schools, according to the National Conference of State Legislatures. Another handful of states offer tax credits to individuals who make endowment gifts to community foundations.

In Iowa, people and businesses that contribute to community-foundation endowments can use 25 percent of the gift to offset state taxes. The combination of the credit and the federal charitable tax break means that someone in the highest tax bracket would pay just 40 cents for every donated dollar.

“Our Legislature has recognized that there’s a transfer of wealth happening,” says Angela Dethlefs-Trettin, who led the Iowa Council of Foundations before leaving for a new job in late August. “We can’t sit by and let it transfer without trying to make sure it stays in our communities.”

A 2003 study by two University of Michigan scholars found that state tax credits for giving “stimulate greater contributions than they cost the state in the form of lost revenue.”

But Mr. Katz fears that states will pay for the credits by cutting education and safety-net programs. “If this is a strategy to shift the responsibility for addressing rising poverty,” he says, “I would think twice about that.”

### **Spillover Benefits**

Still, some evidence suggests that communities with a strong culture of giving receive spillover benefits that go beyond the money donated—which might give states even more reason to enact policies that spur charitable gifts.

Bill Hulterstrom, president of the United Way in Provo, says the high rates of volunteerism in his region mean a donated dollar can accomplish more than in many other cities.

The United Way oversees the South Franklin Community Center, which operates a summer camp and provides tutoring and music lessons to needy youngsters during the school year. The center is run mainly by volunteers, and its annual budget is only \$5,000.

At a nonprofit medical clinic in Provo, five volunteer physicians see about 100 patients two nights a week. The clinic’s annual budget is \$13,000. Says Mr. Hulterstrom: “These are amazing wins for our community.”

*Emily Gipple contributed to this article.*