

## **Q & A on Philanthropy**

By Stephanie Strom

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(See last Q&A for Firelight mention.)

### Question

I recall that the spring after Hurricane Katrina, the Internal Revenue Service tried to encourage individuals and corporations to make charitable donations to hurricane relief causes that could be added to donations for the previous year.

What I would like to know is whether you feel that the current economic downturn constitutes a sufficient crisis to merit a similar step now from the I.R.S. Should the I.R.S. consider some kind of extra tax credit (Maybe \$1.05 for every \$1.00 given) for donations to charities that are serving those hit hardest by the recession/depression — helping those who are losing homes, have lost jobs and are no longer eligible for unemployment assistance, food banks, shelters, etc.?

- Joanne Scanlan

### Answer

After Hurricane Katrina, Congress did pass a law that allowed for a souped-up deduction not only for gifts to charities working on hurricane relief but to almost any other charities through the end of that year (gifts to private foundations, supporting organizations and donor-advised funds were not subject to the more generous deduction).

The bill for that, however, came in at roughly \$11 billion in forgone taxes, which shocked Congress and the Treasury Department. Given that American taxpayers are already providing a philanthropy in the money they are spending to keep the financial sector afloat, aid homeowners and otherwise boost the economy, it is hard to see how the country can afford such a generous tax break to encourage more charitable giving at this time.

### Question

I am the executive director of HealthcareHelper, a new nonprofit dedicated to promoting access to health care services. We are just starting up and I

wanted to know what you thought about starting a nonprofit during a recession. Am I a nut? Do you have any suggestions?

- Tamar Zaidenweber

Answer

You are certainly brave! Many people I have talked to over the last six weeks have said that they expect to see more consolidation in the nonprofit sector, which has grown astoundingly over the last decade. While I have written about the difficulty of nonprofit mergers, if the economy continues to decline, new, small nonprofits will face particular challenges with fund-raising and merging may be a more attractive option than it has been.

I think you will also see greater collaboration among nonprofits seeking to reduce costs. Three organizations in New York have a joint fund-raising office, for instance. Another way of cutting expenses is to seek the services of volunteers with expertise. In your case, perhaps an accountant would be willing to prepare your tax forms on a pro bono basis.

Establishing a clear-cut point of differentiation will be important for you. Many organizations work to promote access to health care services. You need to be able to tell donors why what you are doing is different from the others.

Question

Is there any data on levels of charitable giving broken down by income? Do high-income households give more to charity (in absolute terms, or as a percentage of their income, or of their wealth) than low-income households? Somewhere I thought I had read in an article that lower income households actually give more to charity (as a percentage of their income) than high-income households. But I haven't been able to track down where I had read this, if it is actually true.

- Marjolein van der Veen

Answer

Data on the nonprofit sector in general is hard to come by and often rather out of date, which is one of the challenges of trying to gauge what will happen to giving in the current economic environment.

According to my friends at the Center on Philanthropy at Indiana University, the latest national data on household giving by income level is from its Center on Philanthropy Panel Study on giving in 2004. A short overview of findings from that study is available for download.

Information on and median and average amounts given by income level, as well as on participation rates by income level, are included on pages 8 and 9.

You'll find many interesting surveys on the center's Web site.

#### Question

I want to support research/conservationists who work with land, people and animals in Southern Africa. While I have a pretty good sense of how to evaluate charities here in the States I am not sure how to evaluate some of the many organizations which I know work in Africa. Not all of them are American based. Is there something like Charity Navigator for the world or at least for Africa?

And what do you think of Charity Navigator? Are there other ways to evaluate charities in the States?

- Gaylen Morgan

#### Answer

Finding a single, good standard for evaluating charities is somewhat of a Holy Grail for donors. Services like Charity Navigator, which relies primarily on information proffered by charities in their tax forms, and the Better Business Bureau's Wise Giving Alliance, which issues reports based on specific responses from charities to specific questions and requests for information, are useful but imperfect tools. Neither of them or any similar service applies their assessment techniques to international charities.

Timothy Ogden, a philanthropic consultant who has worked with donors who support international organizations, suggested several organizations that use different systems to help donors assess international charities. GuideStar, for instance, has an international arm that offers information on nonprofits in the United Kingdom, and is working to develop similar services related to charities elsewhere in Europe as well as in South Africa, India, Canada and South Korea. A British donor-advised fund service, the Charities Aid Foundation, offers its fund holders a menu of international nonprofits it has vetted.

Global Giving and Universal Giving are examples of services that offer donors “menus” of international nonprofit groups and project to support. Give2Asia also offers donors help in choosing charities in that region to support, and it is a member of the Alliance for International Giving, together with the King Baudouin Foundation USA and The Resource Foundation, which also offer assistance in identifying international charities.

Finally, the Firelight Foundation, which works to serve children affected by H.I.V. and AIDS in sub-Saharan Africa, lists the organizations to which it has granted money, and Mr. Ogden said you could count on its having done extensive due diligence before making those grants.

Stephanie Strom reports on philanthropy for The New York Times.

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