

EMERGENCY CHARITY STIMULUS

Memorandum

To: Jaren Bernstein, President-Elect Biden's Transition Team
From: Scott Wallace, Wallace Global Fund
Alan Davis, Morris Pearl, Stephen Prince, Patriotic Millionaires
Chuck Collins, Charity Reform Initiative, Institute for Policy Studies.
Date: December 9, 2020
Re: Opportunity to Provide \$200 Billion in Relief to U.S. Nonprofits at No Cost to Taxpayers

As Congress works to come to agreement on the size of a new COVID relief package, [a straightforward proposal](#) can send \$200 billion over the next three years to struggling nonprofits at no cost at all to taxpayers and the Treasury. This far exceeds new donations that might be incentivized through the above-the-line charitable deductions included in the CARES Act or now proposed by Leader McConnell¹; the money will come from funds stockpiled by donors who have already taken tax deductions. We urge you to take up the Emergency Charity Stimulus proposal² as part of your First 100 Days agenda.

While foundations and donors responded strongly to the COVID crisis, that funding is now dropping off sharply³, even though the markets – and foundation assets – have rebounded to again reach record highs. Charities and nonprofits across the spectrum have suffered staggering job losses and closures, and their recovery is much, much more tenuous: a recent report found that employment in the sector remained down nearly one million jobs, one third of those in health care.⁴ As states are now forced to slash their budgets, nonprofit social service agencies dependent on public funding are seeing their own funding threatened even as demands on them rise steadily.

U.S. private foundations and donor advised funds at public foundations are currently sitting on \$1.2 trillion in charitable assets. Yet current tax law requires private foundations to distribute a mere five percent of those assets each year, while donor advised funds have no such minimum requirement.

The mechanism in our proposal is simple. Foundations are already mandated under the Internal Revenue Code to pay out five percent of their assets every year. Just double that to 10 percent -- temporarily, for three years, to allow time for deployment of a vaccine and economic recovery, while posing no threat to any foundation's ability to live forever if they wish to drop back down to five percent afterward. And apply the same formula to donor-advised funds.

Such a temporary requirement will not impose undue hardships on either foundation portfolios or the wealthiest donors who maintain donor advised funds. After having suffered crushing losses last spring, the assets of U.S. foundations have now recovered fully as the

markets have returned to pre-pandemic highs.⁵ Billionaire wealth has expanded even more remarkably. Since March, the combined wealth of 650 U.S. billionaires has grown over \$1 trillion.⁶

During the COVID-19 crisis, many foundations and donor-advised funds have voluntarily increased their payout. But we need to ensure that charitable giving doesn't fall off a cliff in 2021 and 2022. Congress should mandate an increased payout like what we propose to move charitable funds off the sidelines and to the front lines. And such a proposal would have broad popular support: an [Ipsos poll](#)⁷, showed 72 percent of Americans support an emergency charity stimulus.

We look forward to working with the Biden administration to address a broader range of philanthropy reforms that dovetail with your strong interest in creating a more equitable tax system. In the meantime, this focused action addresses the urgent needs for greater stimulus funding in the wake of the COVID-19 pandemic.

¹ Darla Mercado, "McConnell's Covid relief proposal would boost charitable giving tax break," CNBC, December 2, 2020. <https://www.cnbc.com/2020/12/02/mcconnells-covid-proposal-calls-for-higher-charitable-tax-break.html>

² Full ECS briefing paper: <https://inequality.org/wp-content/uploads/2020/05/Brief-CharityStimulus-Revision-May12-FINAL.pdf>
Congressional Progressive Caucus Center Explainer: Emergency Charity Stimulus for COVID-19 Recovery: <https://tinyurl.com/y5fvkmwb>

³ Abby Schultz, "Flood of Cash Into Many Covid-19 Response Funds Has Dwindled," *Barrons*, November 30, 2020. <https://www.barrons.com/articles/flood-of-cash-into-many-covid-19-response-funds-has-dwindled-01606768123>

⁴ Chelsea Newhouse, "Nonprofit jobs still down by nearly 1 million despite a partial recovery," Johns Hopkins Center for Civil Society Studies, September 4, 2020. <https://ccss.jhu.edu/labor-day-2020-coronavirus/>

⁵ Dan Parks, "New Data Show Foundation Assets and Grant Making Rebounded Fully After a Crushing Spring," *Chronicle of Philanthropy*, October 1, 2020. <https://www.philanthropy.com/article/new-data-show-foundation-assets-and-grant-making-rebounded-fully-after-a-crushing-spring>

⁶ "Billionaire Wealth in US Surges Past \$1 Trillion Since Beginning of Pandemic," November 25, 2020 Update, Inequality.org. <https://inequality.org/great-divide/updates-billionaire-pandemic/>

⁷ Ipsos Poll: <https://inequality.org/great-divide/ipsos-emergency-charity-stimulus-poll/>