The True Cost of Billionaire Philanthropy

How the Ultra-Wealthy Use Charity to Avoid Taxes and Exert Influence — While Taxpayers Foot the Bill

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The **Institute for Policy Studies** (www.IPS-dc.org) is a multi-issue research center that has been conducting path-breaking research on inequality for more than 20 years.

The **IPS Charity Reform Program** (https://inequality.org/action/charity-reform-initiative/) was founded in 2020 to study the intersection of inequality and philanthropy. We house the Charity Data Lab and we have published numerous reports, including: *Warehousing Wealth: Donor Advised Funds Sequestering Billions in the Face of Growing Inequality, Silver Spoon Oligarchs:* How America's 50 Largest Inherited-Wealth Dynasties Accelerate Inequality, and Gilded Giving 2022: How Wealth Inequality Distorts Philanthropy and Imperils Democracy.

The **Inequality.org** website (http://inequality.org/) provides an online portal into all things related to the income and wealth gaps that so divide us, in the United States and throughout the world**. Subscribe to our weekly newsletter at Inequality.org or follow us on Twitter and Facebook: @inequalityorg**

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Top-Heavy Philanthropy

"I had one idea that never changed in my mind —
that you should use your wealth to help people."
— Chuck Feeney (1931-2023)

As immense wealth concentrates in fewer hands, the imbalance is having a corrosive impact on our nonprofit sector. U.S. nonprofit charities are currently experiencing a transition from broad-based support across a wide range of donors to an increasing reliance on a small number of ultra-wealthy people, a trend we have called "top-heavy philanthropy."

As this happens, donors are diverting ever greater proportions of their charitable dollars into wealth-warehousing intermediary vehicles such as private foundations and donor-advised funds, or DAFs, rather than giving directly to working charities. And a tiny group of mega-philanthropists is exercising increasingly outsized influence over nonprofit priorities and missions. We explore this phenomenon in detail in our report *Gilded Giving 2022: How Wealth Inequality Disrupts Philanthropy and Imperils Democracy*.

Billionaire donors often exemplify top-heavy philanthropy in its most acute form. This report attempts to analyze the good, bad, and the ugly of how mega-donor philanthropy — particularly billionaire philanthropy — functions in America today. We highlight what is broken, but also don't want to minimize what is working: generous people of all economic strata responding to urgent problems, donating their money to sustain a vibrant, independent nonprofit sector that advances the common good. For each example of individual venality, self-dealing, or abuse of the charity system, there are examples of people donating in a timely way and in the spirit of our taxpayer-subsidized philanthropy laws.

We are also aware that no one appreciates having their motivations glibly summarized or dismissed. But we humans are often driven by complex and sometimes conflicting motivations. That is as true in the philanthropic space as anywhere else. Individuals' motivations for giving range from genuine generosity, solidarity, and reparation to the preservation of money, control, and reputation. And, as other philanthropy critics have observed, charitable acts can often apply a gloss of respectability to wealth that has been obtained in socially harmful ways. We believe that the rules governing charitable giving should minimize self-aggrandizement and better stimulate generosity. We hope that our criticisms are not dismissed with accusations of "class war," "envy," or "resentment," but are instead understood as fair advocacy for accountability and public interest.

We bring a critical vantage to the seemingly private actions of individuals and their money for two reasons: First, since we provide generous incentives for charitable giving through the tax code, we have a legitimate interest in how these tax dollars are used — and under our current tax system, the wealthier the donors, the greater the tax reductions they receive. Secondly, as an all-too-vulnerable self-governing democracy, we need to recognize that philanthropy functions as an extension of private power and influence. For these reasons, we should bring the greatest scrutiny to the most heavily taxpayer-subsidized charity power of America's richest, and to how this power is deployed to enhance economic and political influence.

The U.S. charitable system is shaped by laws — particularly those set out by a sweeping charitable tax reform package passed in 1969. Over the five decades since then, however, we've witnessed an extraordinary concentration of wealth and power in the hands of our wealthiest citizens. We've also witnessed the attendant explosion of a wealth-defense industry — tax attorneys, accountants, and wealth managers — who have an institutional bias toward unlimited capital accumulation, tax minimization, and dynastic succession. That bias has crept its way into the philanthropic sphere as well. The meteoric rise of donor-advised funds as giving vehicles, for example, has been driven in part by wealth advisors selling tax-avoidance products. You will get a play-by-play of financial industry shell games in our discussion of how wealthy donors are gaming foundation excise taxes and payout requirements. And there are signs that some billionaires are starting to think that certain for-profit investments are a replacement for philanthropy — or even that their own companies are more socially beneficial than any sort of giving.

Increasing inequality in giving poses significant risks for the practice of fundraising and the health of the independent nonprofit sector. Our philanthropic giving system is in danger of being captured by a financial services industry that operates with interests diametrically opposed to those of our civic sphere. And the general public has a financial stake in this as well, since the wealthiest donors receive significant tax savings through their charitable giving — savings which the American taxpayer subsidizes at the federal level by up to 74 cents for every dollar donated. We must ensure that the tax breaks we underwrite are actually funding charities actively working for our common good.

Our report's aim, therefore, is to encourage policymakers, the media, and the wider public to view the philanthropic pronouncements of billionaires and their philanthropic organizations with greater skepticism and scrutiny. Only then can we successfully mobilize to change the laws which, under the current system, allow unethical practices to persist.

Key Findings

The Rise of Donor Giving Intermediaries: Private Foundations and DAFs

Wealthy donors are more likely to give to donor-directed charities that they control, especially private foundations and donor-advised funds (DAFs).

- **An estimated 41 cents of every 2022 individual donation going to charity went to either a private foundation or DAF, up from 37 percent in 2021.** In 2022, 27 percent of individual donations went to DAFs, up from 22 percent in 2021. In 2022, 14 percent of individual donations went to private foundations.
- **DAFs are the most rapidly growing recipient of charity funds, receiving more than a quarter of all donations.** In 2022, DAFs took in $85.5 billion, which is 27% of the $319 billion given by individuals that year. One of the main drivers of DAF growth is the financial industry's aggressive marketing of DAFs for their considerable tax benefits, secrecy, and non-existent payout rate.

How Billionaire Philanthropists Operate

The news is full of stories about billionaires giving huge gifts to charity. Yet for all but the most generous, their giving is nowhere close to keeping up with the growth in their wealth. While some are making an earnest effort to give back, others appear to be using charity to enhance their public image, their political voice, and even the protection of their assets. The billionaires who have taken the Giving Pledge — a promise to give away half of their wealth during their lifetimes or in their wills — offer examples of all of this. And, yet, these Pledgers are often the best of the billionaire bunch, actively talking about sharing rather than hoarding.

Giving Pledger Assets

- **The 73 living U.S. Giving Pledgers who were billionaires in 2010 saw their wealth grow by 138 percent, or 224 percent when adjusted for inflation, through 2022.** Their combined assets increased from $348 billion in 2010 to $828 billion over those twelve years.
- **Of these 73 people, 30 of them have seen their wealth increase more than 200 percent when adjusted for inflation.** Those with the greatest growth include Mark Zuckerberg and Priscilla Chan (1,382 percent), Dustin Moskovitz and Cari Tuna (1,166 percent), Elaine and Ken Langone (755 percent), Arthur M. Blank (739 percent), and Bernie and Billi Marcus (714 percent).

Giving Pledger Contributions

- **For the past several years, the favorite cause of ultra-wealthy donors like the Pledgers has been their own private foundations.** Slightly behind foundations, but rapidly growing in popularity, are donor-advised funds, or DAFs. In early 2023, the *Chronicle of*

Philanthropy updated its annual list of the fifty top donors in the U.S., 16 of whom are Giving Pledge signers. Of the $12 billion in identifiable gifts of over $1 million that the group donated to charity in 2022, 68 percent — more than $8 billion — went either to foundations or to DAFs.

- **In recent years, nearly all of the Pledgers' very largest gifts have gone to intermediaries — gifts for which they get immediate tax reductions.** In 2021, for example, Bill Gates' record-breaking $15 billion gift all went to the Gates Foundation — as does nearly all of his giving. That same year, Elon Musk gave $5.7 billion to his foundation, and Jack Dorsey and Mark Zuckerberg each made gifts of over $700 million to their own DAFs.
- **Many Pledgers aren't fulfilling their Pledges or have questionable fulfillment methods.** A few have been bold and direct givers, but most need to pick up the pace significantly to make their Pledges real. And some seem to have used their philanthropy for self-serving purposes, such as taking out loans from their foundations or paying themselves hefty trustee salaries.

Giving Pledgers, LLCs, and Impact Investing

- **Some Pledgers have started to do more of their giving through limited liability corporations, or LLCs.** This not only reduces transparency but also creates an environment where billionaires combine or, in many cases, replace their charitable giving with impact investments — for-profit ventures that theoretically have a social benefit, but neither the transparency nor the proven beneficial impact of working charities.
- **LLC-using Pledgers such as Pierre Omidyar and Mark Zuckerberg have said that they see impact investing as an integral part of their philanthropic efforts.** They may well be considering these for-profit investments as counting towards their Pledge fulfillment.

How the Ultra-Wealthy Use Donor-Advised Funds

Ultra-wealthy donors — including billionaires like Mark Zuckerberg, Jack Dorsey, Sheryl Sandberg, Laurene Powell Jobs, and Paul Singer — are donating millions to donor-advised funds, or DAFs. Donors can claim substantial charitable tax benefits for these contributions in the year they donate, but the money often fails to move out of the DAFs in a timely way. DAFs have no mandated payout, so funds can potentially sit for decades without flowing to charities.

DAFs by the Numbers

- **DAFs now take in more than a quarter of all U.S. individual charitable giving.** The $85.5 billion that DAFs received in 2022 made up 27 percent of individual giving that year.

- **The largest DAF sponsors now take in more money each year than our largest public charities.** DAFs have seen such huge growth that by 2021, seven of the top ten recipients of charitable revenue in the country were DAF sponsors, including the four largest. These include DAFs affiliated with Fidelity, Schwab, Vanguard and the National Philanthropic Trust.

DAF Payout

- **We have no nationwide data on the payout rates of individual DAF accounts because sponsors are not required to report them.** Instead, we have to rely on the aggregate rates reported by industry providers or the sponsors themselves, which can be inflated through questionable calculation methods — such as dividing current year contributions by the organization's average assets over the previous five years.
- **Recent studies indicate that many DAF account payout rates are abysmally low.** The Council on Michigan Foundations found that in 2018 the median payout rate of the 2,600 DAF accounts administered by Michigan's community foundations was just 3.1 percent, and that 37 percent didn't pay out any money to charity at all in any given year. And the California Attorney General's office reported that from 2016 to 2020, 42 percent of California's community foundation DAF accounts paid out less than 5 percent in any given year.
- **A significant amount of DAF grants go to other DAFs.** We found $2.5 billion in grants going from national donor-advised funds to other national donor-advised funds in 2021 alone.

How the Ultra-Wealthy Use Private Foundations

Billionaires such as Bill Gates, Elon Musk, Charles Koch, and Sergey Brin pour billions into private foundations. Unfortunately, foundation contributions aren't always finding their way back out as grants as quickly as they should. As it is, foundations are only required to give out at least 5 percent of their assets in the form of qualifying charitable distributions each year. But these distributions can include things like grants to DAFs, for-profit impact investments, administrative overhead, and trustee compensation — all of which limit the flow of grants to working charities.

Foundation Payout

- **The typical foundation sticks closely to the 5 percent minimum required payout rate.** We found that over the past five years, the median payout rate for private foundations has hovered between 5.2 and 5.6 percent.
- **The very largest foundations — those with assets of one billion dollars or more — stay even closer to the 5 percent minimum.** Over the past five years, billion-dollar-plus foundation payout varied anywhere from 4.6 to 5.4 percent.

- **Foundations are also allowed to count compensation paid to trustees towards their charitable distributions.** In 2021, direct trustee compensation totaled $2 billion, and the foundations applied $1.2 billion of that towards their charitable distribution amount. Only 29 percent of foundations pay compensation to their trustees, but some of these paid trustees are wealthy foundation founders or their family members.

Trustee Compensation

- **Some of our country's wealthiest people use their private foundations to compensate themselves.** In a 2021 report we found that foundations managed by some of the nation's top 50 dynastically wealthy families paid individual family members as much as hundreds of thousands of dollars from 2016 to 2018.

What Ultra-Wealthy Philanthropists Cost Us

There is much we don't know about the cost of tax incentives for charitable giving. We do have solid estimates for the costs of the charitable deductions taken by individuals and corporations. We can estimate the costs of charitable giving related to estate and gift taxes, but can't get precise costs because of changes in federal reporting requirements. And we have no comprehensive, reliable source for how much revenue is lost due either to non-taxation of capital gains when individuals and corporations give appreciated assets to charity, or non-taxation of the income that charities themselves generate from assets held in their own portfolios.

- **We know for certain that $73.34 billion in tax revenue was lost to the public in 2022 due to personal and corporate charitable deductions.**
- If we include just the little data we have about charitable bequests and the investments of charities themselves, **the revenue loss is pushed up to roughly $111 billion.**
- And if we also include the capital gains revenue lost from the donation of appreciated assets, **the true revenue costs of charity likely add up to several hundreds of billions of dollars each year.**

How We Should Change the System

It is time to modernize the rules governing philanthropy to discourage the warehousing of charitable funds; align tax deductions with the public interest; and encourage more broad-based giving. We provide a full discussion of recommended reforms at the end of this report, but the most important include:

- Implementing a payout requirement for donor-advised funds
- Raising the minimum payout rate requirement for private foundations
- Preventing grants to DAFs from counting towards payout
- Requiring sponsors to report on DAFs on an account-by-account basis
- Implementing a universal charitable tax credit for non-itemizers

Top Heavy Philanthropy by the Numbers

- The U.S. taxpayer subsidizes the charitable giving of wealthy philanthropists by up to 74 cents on every dollar donated. This amount, originally calculated by law professors Ray Madoff and Roger Colinvaux, is based on the potential tax reductions available to wealthy people subject to the top federal income, capital gains, estate, and gift tax rates.
- Of the $12 billion in identifiable gifts of over $1 million that Giving Pledgers donated to charity in 2022, 68 percent — more than $8 billion — went to foundations or to DAFs.
- Only a tiny handful of Giving Pledgers have actually given away half their assets to date, or have publicly announced that they have set up their wills to do so.
- In 2021, Giving Pledger Elon Musk donated $5.7 billion in Tesla shares to his foundation. The federal tax benefits of his donation amounted to about $4.6 billion, or almost exactly 30 percent of his adjusted gross income — the maximum he would be allowed to deduct.
- Giving Pledger Barron Hilton was one of our nation's most generous billionaires: He gave away $1 billion to charity while he was alive and left $2.4 billion to the Conrad N. Hilton Foundation in his estate. However, the subsequent behavior of the Hilton Foundation raises questions about its use of his funds. In 2021, for example, it paid out $35,000 to each of at least six Hilton family members serving on the board.
- Billionaire hedge fund manager and Giving Pledger Paul Singer's private foundation typically meets its annual payout requirement only through grants to DAFs. Of the grants it made from 2017 to 2021, 85 percent went to a DAF at J.P. Morgan Chase.
- The Zoom Foundation (no relation to the video-conferencing company) is the private foundation of billionaire hedge fund investor Stephen F. Mandel and his wife Susan. The foundation gave more than $263 million from 2017 to 2021 to the Fidelity Charitable Gift Fund. Their 2021 gift alone amounted to more than $90 million. These contributions made up nearly the entirety of their charitable distributions over those five years.
- The du Pont family's Longwood Foundation pays its president, Éleuthère Irénée du Pont II, more than $300,000 in total compensation per year.
- The H.E. Butt Foundation pays upwards of $250,000 each year to its president, David M. Rogers, who is the husband of a Butt family heir.
- In 1997, corporate raider Carl Icahn donated $100 million in shares of American Railcar to his Foundation for a Greater Opportunity, gaining himself an estimated $45 million tax deduction. In 2005, Icahn learned that American Railcar was preparing for an IPO, and got his foundation to sell the shares back to him for the original $100 million. Icahn agreed to pay the charity $10 million up front and the remaining $90 million over the next five years. When American Railcar went public, Icahn's shares immediately jumped to $150 million — but he didn't pay the foundation back for ten more years.

The Full Report

How Billionaire Philanthropists Operate

The news is full of stories about billionaires giving huge gifts to charity. But for all but the most generous, their giving is nowhere close to keeping up with the growth in their wealth. And while some billionaires make an earnest effort to give back, others appear to be using philanthropy more to enhance their public image, their political voice, and even their wallets.

The billionaires who have taken the Gates-Buffett Giving Pledge — a pledge to give away half of their wealth, either during their lifetimes or in their wills — offer prime examples. We focus on this group because the Pledge is, in theory, a public stand against the dynastic hoarding of private wealth — but many Pledgers are, in fact, using their giving to create multigenerational charitable institutions with which they exert considerable influence.

The Gates-Buffett Giving Pledge

The Giving Pledge is an initiative co-founded by Bill Gates and Warren Buffet to boost giving by America's billionaire class. The Pledge was inspired by Chuck Feeney's bold "giving while living" action. Members of the Giving Pledge promise to give at least half of their net worth to charity, either while living or upon their death.

The Giving Pledge went public on August 4, 2010 with an initial 40 signers, all from the United States. At that time, there were 403 billionaires in the country. Now, almost thirteen years later, the U.S. has 748 billionaires, and dozens more of them have taken the Pledge. The Pledge now has 240 signatories — both individuals and couples — and the group has expanded to include international participants.

Our analysis of Giving Pledge signers has yielded two primary discoveries so far. One is that while some Pledgers earnestly intend to fulfill their promises, many are unable to because their assets are simply growing too fast. The other is that Pledgers, like other extremely wealthy donors, tend to give to charitable intermediaries like foundations and donor-advised funds, rather than directly to working charities. Functionally, this allows Pledgers to reduce the size of their taxable income and assets without actually pushing donations out to working charities. This raises concerns that what began as a civic-minded initiative to spur generosity is instead serving to concentrate private wealth and power at taxpayer expense.

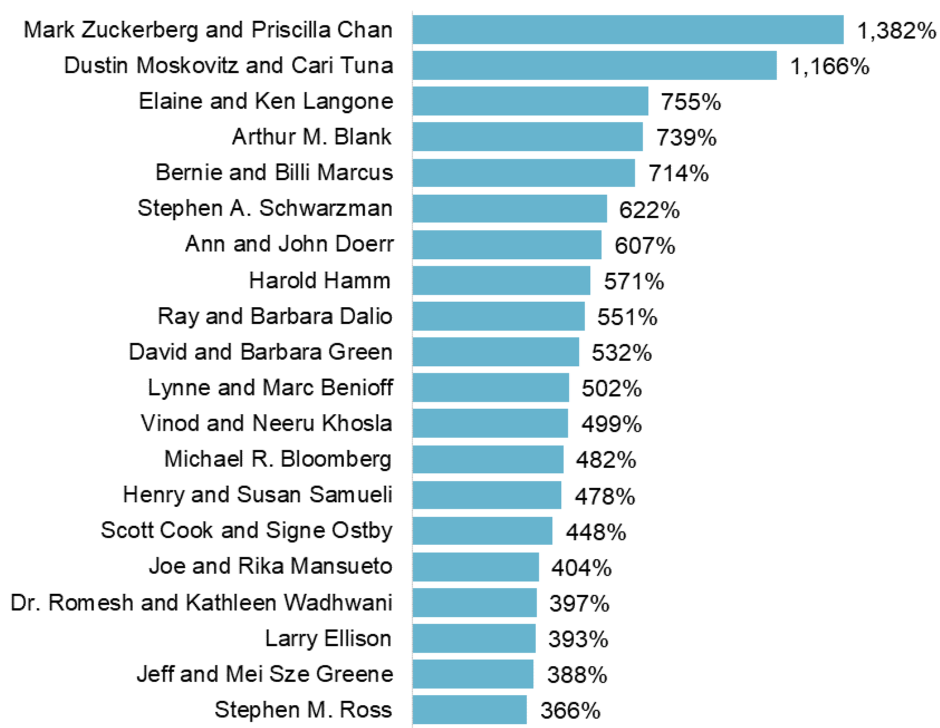
Billionaire Assets Are Growing Far Faster than Giving

The Giving Pledge is a positive statement by a significant portion of U.S. billionaires that they intend to share their wealth. But the wealth of the billionaire class is growing so fast that it has outstripped billionaires' current capacity to give it away. If Pledgers want to make their promises real, they will have to dramatically accelerate their giving just to keep up with their asset growth.

- **The 73 living U.S. Giving Pledgers who were billionaires in 2010 saw their wealth grow by 138 percent, or 224 percent when adjusted for inflation, through 2022.** Their combined assets increased from $348 billion to $828 billion over those twelve years.

- **30 of them have seen their wealth increase more than 200 percent when adjusted for inflation.** Those with the greatest growth include Mark Zuckerberg and Priscilla Chan (1,382 percent), Dustin Moskovitz and Cari Tuna (1,166 percent), Elaine and Ken Langone (755 percent), Arthur M. Blank (739 percent), and Bernie and Billi Marcus (714 percent). For many of these people, much of this growth has come in the most recent five years following the 2017 Trump-era tax cuts, which led to a surge in billionaire wealth.

The 20 Giving Pledgers with the Greatest Growth in Net Worth, 2010-2022



Sources: Estimates of billionaire net worth from *Forbes*. Growth is adjusted for inflation using the Bureau of Labor Statistics' CPI Inflation Calculator.

Wealthy Donors Favor Charitable Intermediaries

Wealthy individuals certainly can and do give directly to working charities, as other donors do. But for the past several years, the favorite cause of wealthy donors has been their own private foundations. Slightly behind foundations, but rapidly growing in popularity, are the donors' own donor-advised funds, or DAFs.

Many Pledgers establish foundations and DAFs with the best of intentions. But the result is that money can end up warehoused in these intermediaries — giving vehicles which are charitable in name, but not always in deed. Donors legally give up control over their donations when they go into intermediaries, but in fact retain a considerable amount of practical control over the investment, management, and destination of the funds. Private foundations slow the flow of charitable funds to active nonprofits; allow wealthy donors and their families to continue to benefit financially through loans, reimbursements, and trustee salaries; and enable those donors to retain significant managerial control over billions of philanthropic dollars. And since DAFs have no payout requirement at all, they can bring the movement of money to active charities screeching to a halt.

Because not all billionaires disclose where their charitable giving goes, it is difficult to pin down exactly how much of the Pledgers' giving so far has gone to these intermediaries. But evidence suggests it is a significant portion. In early 2023, the *Chronicle of Philanthropy* updated its annual list of the fifty top philanthropists in the United States, 16 of whom are Giving Pledge signatories. Of the $12 billion in identifiable gifts of over $1 million that the group donated to charity in 2022, 68 percent of it — more than $8 billion — went either to private foundations or to donor-advised funds.

And in recent years, nearly all of the Pledgers' very *largest* gifts have gone to intermediaries. In 2021, for example, Bill Gates' record-breaking $15 billion gift went entirely to the Gates Foundation — as does nearly all of his giving. That same year, Elon Musk gave $5.7 billion to his private foundation, and both Jack Dorsey and Mark Zuckerberg made gifts of over $700 million to their own donor-advised funds.

Giving Pledger Case Studies

The Giving Pledge is entirely voluntary, and its administrators have clearly stated that they are not in the business of tracking which Pledgers have given what. But based on public announcements and media reports, we have assembled pieces of the picture.

Only a tiny handful of Giving Pledgers have actually given away half their assets to date, or have publicly announced that they have set up their wills to do so. This group provides good examples of Giving Pledge members who have given away substantial wealth over the last decade, many directly to active charities, modeling the importance of moving money out of their personal domain and to organizations that need it.

Some Pledgers, however, will need to pick up the pace substantially or their promise may be viewed only as a publicity stunt. Others are engaging in fulfillment strategies that are questionable at best—and could be self-interested tax avoidance schemes at worst.

And the bequests of Pledgers who have died since signing on can give us valuable insight into whether others will truly fulfill their commitments.

Bold and Direct Givers

- **Marc Benioff**, the founder of Salesforce, and his wife **Lynne** have given at least $385 million to their Salesforce Foundation, but they give that money out at a relatively good clip; in 2022, their foundation's payout rate was 8.7 percent, and it exceeded 10 percent in previous years. The couple has also given more than $470 million directly to charity. Their direct gifts included funding for medical research centers, University of California schools, and the purchase of an old hotel in San Francisco to house homeless people. Marc has been vocal in his criticism of foundations and donor-advised funds, and believes the wealthy should give their money away as they earn it—what he calls the "pay as you go" model.

- **MacKenzie Scott** is on a mission. Her divorce from Amazon founder Jeff Bezos in 2019 left her with a settlement of $38 billion, making her the third-wealthiest woman in the world at the time. Scott signed the Giving Pledge in May 2019, just two months after her divorce became final. A little over one year later, she rocked the fundraising world by giving away $1.7 billion in unrestricted gifts directly to a wide range of charities focused on issues including racial, LGBTQ+, and gender equity; climate change; and public health. She's done the same every year since and, as of November 2022, had given away at least $14.5 billion.

  In her Giving Pledge letter, Scott talked directly about how important it was to give big, and to give now. "In addition to whatever assets life has nurtured in me," she wrote, "I have a disproportionate amount of money to share. My approach to philanthropy will continue to be thoughtful…But I won't wait. And I will keep at it until the safe is empty." So far, even with her charitable giving, the growth in her assets has meant that she is holding just about even; her net worth is currently about $37 billion.

- CNN founder **Ted Turner** is currently worth $2.4 billion, but has given at least $1.3 billion directly to various health and environmental charities. His giving includes a single gift of $1 billion in 1998—a third of his wealth at the time—which he wanted to give to the United Nations, but used to set up the U.N. Foundation when it turned out the U.N. didn't accept private donations. Turner originally intended the foundation to sunset after 10 years, but extended its lifespan when the U.N. itself urged him to, citing its effectiveness in reducing childhood diseases and providing humanitarian relief globally.

Pledgers Who Need to Pick Up the Pace

For their commitments to be meaningful, some Pledgers need to dramatically step up giving.

- Spanx founder **Sara Blakely** signed the Pledge in 2013. Blakely had already established the Spanx by Sara Blakely Foundation in 2006 to focus on women's issues, but, according to foundation tax filings, she has given less than $150,000 of her own assets to the foundation so far. In her Giving Pledge signatory letter she wrote that she intended to build her business first before focusing on charitable giving, promising that "when the time comes I will have an amazing opportunity to help women in an even bigger way." It is unclear at this point exactly when that time will come.

- **John Paul DeJoria**, cofounder of John Paul Mitchell Systems and Patrón Spirits, has accumulated a net worth of roughly $3 billion. In 2018 he gave $50 million to his Peace, Love, and Happiness Foundation, enabling him to offset significant capital gains taxes following his sale of Patrón that year. Outside of that atypically large gift, he has donated an average of only $3 million each year to the foundation since he founded it in 2011, and nothing at all since 2018. The foundation itself had reported assets of $59 million in 2020, and has awarded an estimated total of just $26 million in grants since its inception eight years ago.

- Dish Network cofounders **Charlie and Candy Ergen** are worth a combined $2.6 billion. They have given a bit over $200 million to their Telluray Foundation since they founded it in 2005. According to tax filings, $199.9 million of that giving happened in 2015 — the year that Charlie Ergen became CEO of Dish Network for the second time and engaged in a failed attempt to merge with DirecTV. They have given no public major gifts to direct charity in the past twenty years.

  It is also worth noting that a good portion of the foundation's grants to charity have consisted of gifts to donor-advised funds. In 2019, for example, the foundation gave $2.8 million of a total $6.5 million in charitable grants to DAFs at NPX Charitable and the Schwab Charitable Fund.

- Oracle cofounder and CEO **Larry Ellison** is currently worth almost $144 billion. He was one of the early signers of the Giving Pledge in 2010, but chose to do much of his giving quietly, only writing a very brief public letter about his Pledge at Bill Gates' request in the hopes it would encourage others to join in. Ellison says that he has so far given about $1.2 billion to charity over his lifetime — an impressive sum even among mega-philanthropists, but still just a tiny proportion of his overall wealth, which continues to grow much more rapidly than his giving.

Ellison has given at least $211 million directly to working charities, most of which went to establish a medical research center at the University of Southern California. But the bulk of his giving has gone to his two private foundations — the Ellison Medical Foundation and the Larry Ellison Foundation — and that giving has been somewhat checkered. The Ellison Medical Foundation is apparently now defunct, although there has been no official announcement to that effect. And in 2020, he suddenly announced that he would be closing the Larry Ellison Foundation's London office and reformulating it in the U.S. with a new focus on COVID-19 research. As *Recode* reported, even a year after the foundation's change it was doing nothing new related to COVID-19, leading to suspicions that this move may be just one in a long line of Ellison's many unfulfilled charitable promises.

- Fashion designer **Diane von Furstenberg** and her husband, former 20th Century Fox CEO **Barry Diller**, are worth a combined $4 billion. Their letter to the Pledge talks a great deal about the inspirational nature of the Pledge itself; it reflects fondly on the experiences they have had meeting other Pledgers, participating in retreats with them and learning about their "drive and aspiration" to make the world a better place, but it contains very little about actual plans for giving. In the past twenty years, Furstenberg and Diller have given an estimated $160 million directly to charity, which includes a single $130 million gift to build the Little Island park on the Hudson River. They give an estimated $8 million each year, on average, to their private foundation, which was established in 2011.

- The late Intel cofounder **Gordon Moore** and his wife **Betty** established their Gordon and Betty Moore Foundation in 2000 with a gift of $5 billion — almost two-thirds of their wealth at the time — making it one of the largest private foundations in the world from its inception. Over the past twenty years, however, they did not put any more into their foundation and gave just an estimated $206 million directly to charities, primarily hospitals and universities in California. Their foundation's giving has mirrored the deliberate pace of their personal giving, generally treating the 5 percent minimum payout requirement as a ceiling, rather than a floor. According to our analysis of its tax filings, the foundation has given out an average of just 4.9% of its assets in grants each year for most of the past decade.

Pledgers with Questionable Fulfillment Strategies

Following his arrest on conspiracy and fraud charges in late 2022, FTX founder Sam Bankman-Fried achieved the distinction of becoming the first Pledger to have his name removed from the Giving Pledge. But other Pledgers remain on the list in spite of dubious financial activities of their own. And we would encourage those Pledgers who park millions in private family-controlled foundations or DAFs, or who use charitable giving to enrich themselves personally — even though it is generally perfectly legal to do so —to reconsider their giving methods to meet the civic responsibilities which are the justification for their charitable deductions.

- Wall Street corporate raider **Carl Icahn**'s net worth fell in 2023 from $18 billion to $8 billion after investors accused him of using a "Ponzi-like" scheme to inflate his holding company's stock price. He was one of the early signers of the Giving Pledge in 2010, but it is difficult to pin down how much he has given over his lifetime because the bulk of his giving goes into his two charitable supporting organizations. He gives to a much lesser extent to his private foundation, which primarily makes grants to support charter schools, homeless shelters, hospitals, and Princeton University. He has also personally given two gifts totaling $200 million directly to the Mount Sinai School of Medicine. In an interesting maneuver, however, Icahn borrowed $100 million from one of his own charities and earned millions in profit as a result.

  In 1997, Icahn donated $100 million in shares of American Railcar to his charity, the Foundation for a Greater Opportunity, gaining himself an estimated $45 million tax deduction. But the charity was unable to sell the shares because American Railcar was then still a private company. In 2005, Icahn learned that American Railcar was preparing for an IPO, and got the foundation to sell the shares back to him for the original $100 million; Icahn agreed to pay the charity $10 million up front, and the remaining $90 million over the next five years. American Railcar then went public, and Icahn's shares immediately jumped to $150 million—but he didn't pay the foundation back for ten more years. And later, in 2018, Icahn made an additional $757 million in profit when American Railcar merged with ITE Rail Fund.

  The foundation did earn $53 million in interest on their loan to Icahn, but would have earned much more had they been paid in cash and been able to invest the money themselves. The exact amount of Icahn's personal philanthropic giving is, again, uncertain, but it could be that with the proceeds resulting from the loan from his foundation, he himself may have benefitted the most from his own charity.

- **Michael and Lori Milken** are worth a combined $6.5 billion. Michael Milken, the former "junk bond king," is often described as turning to philanthropy after his 1989 felony conviction for securities fraud, but even by that time he had already been pouring millions into his family's three private foundations for years. Some of the grants from the various Milken foundations have certainly been well-publicized direct gifts to charity, including in particular $50 million to George Washington University to endow a school of public health. The foundations also fund the Milken Educator Awards, often called "the Oscars of teaching," which annually selects up to 40 teachers each year to receive a gift of $25,000 each. But the largest proportion of Milken foundation grants go to Milken family institutions such as the Milken Institute, the FasterCures think tank, and the family's Prostate Cancer Foundation. Since 2000, the Milkens have given just $11 million directly to charity — $10 million of which went to GWU — and an estimated $70 million to their foundation.

- **Elon Musk**, the cofounder of PayPal and SpaceX, CEO of Tesla, and owner of X/Twitter, is worth an estimated $223 billion. Musk signed the Giving Pledge in 2012. Since then, he has certainly given directly to charities to some extent: he donated $480,000 to ensure that children in Flint, Michigan had fresh drinking water in school, and he has claimed to be a "top donor" to the ACLU. The vast bulk of his giving, however, appears to be indirect and — arguably — self-interested.

  Musk established a charitable foundation in 2002 with the professed purpose of supporting technological advancements, but put little into it and gave relatively little out of it until 2017. That year, the Musk Foundation gave out $48 million in grants, a full $38 million of which went to establish a donor-advised fund at Vanguard Charitable.

  After several more years of dormancy, in 2021 Musk sold 15.7 million shares of Tesla stock for more than $16 billion, racking up a potential tax bill of $10.7 billion. That same year, however, Musk also donated $5.7 billion in Tesla shares to his foundation, and this gift bestowed on Musk two forms of fortuitously timely tax relief. Assuming that his stock sales put Musk into the highest federal and state tax brackets, he would have been able to deduct about $2.81 billion of his donation from his income tax. And Musk would have been able to use his gift to avoid roughly $1.77 in capital gains taxes as well. Together, the direct and indirect tax benefits of Musk's $5.7 billion charitable donation amounted to about $4.6 billion — almost exactly 30 percent of his adjusted gross income for the year, the maximum an individual is allowed to deduct.

  Musk donated another $1.9 billion in Tesla stock to an undisclosed charity in 2022. It may take some time to find out where it went, but, given Musks' pattern of giving, it likely went to his foundation as well.

  It may also be worth noting that the grants from the Musk Foundation that have gone to direct charities have largely gone toward causes that will benefit Musk personally, including a school attended by his children, a charity managed by his brother, and a nonprofit fighting traffic congestion on the highway he uses to commute to work. In 2021, his foundation also awarded a $10 million grant to the University of Texas at Austin, which reportedly has gone towards a new initiative investigating population growth, an issue of particular interest to Musk.

  But Musk's most recent charitable caper — a recent "offer" of a $1 billion donation to Wikipedia if they changed their name to a less-savory alternative for a year — may perhaps be the most reliable indicator of his true motivations for giving to date.

- Hedge fund manager **Paul Singer** is currently worth $5.5 billion. Either directly or through his firm, Elliott Management, he has given an estimated total of $750 million over the past twelve years to charity.

  But those gifts have gone almost exclusively to Singer's two private foundations, and have been taking a long time to find their way out to working charities. The Paul E. Singer Foundation, the larger of the two, typically meets its annual 5 percent payout requirement only through grants to Paul Singer's donor-advised funds — including three corporate-sponsored DAFs at J.P. Morgan Chase, Charles Schwab, and Donors Trust. For example, a full 68 percent of the money that the foundation granted from 2016 to 2018 went into Singer's DAFs.

- Investor **Robert F. Smith** has accumulated $8 billion in assets as founder and CEO of Vista Equity Partners, a private equity firm. He also directs the Fund II Foundation, which was created by the Vista corporation with the assets that remained after the closing out of one of their most successful equity funds in 2014. Smith put an estimated $301 million into the foundation and used it to award upwards of $250 million in grants to a wide variety of educational, cultural, and environmental organizations. Smith himself has also directly donated an estimated $126 million from his own personal assets since 2000 — including a $34 million pledge to pay off the loans of all the students graduating from Morehouse College in 2019, which gained Smith an enormous amount of reputation-enhancing publicity.

  But Smith's munificence was clouded in 2020 when he became embroiled in what may be the largest tax evasion scheme in U.S. history. As part of the deal he struck to avoid prosecution, he agreed to give up $182 million in charitable deductions from his previous contributions.

- Facebook CEO **Mark Zuckerberg** and his wife **Priscilla Chan** have received accolades in recent years for their philanthropic generosity, including Zuckerberg's pledge to give away 99 percent of his Facebook shares. And the couple has given an estimated $9.6 billion to charity since taking the pledge in 2010. But their giving has been strikingly outstripped by the growth in their net worth, which now stands at $108 billion.

  Zuckerberg's and Chan's methods of giving have also been confusing and controversial, to say the least. In the past, they gave primarily either to their nonprofit Chan Zuckerberg Foundation or the Silicon Valley Community Foundation, a DAF sponsor. But since 2015, they have conducted the bulk of their giving through the Chan Zuckerberg Initiative, which is not a nonprofit but rather a limited liability corporation.

  The way it works is that Zuckerberg transfers shares of Facebook stock to the CZI, and then directs the CZI to make grants to charities. Zuckerberg cannot take a tax deduction for gifts to the CZI, as he would be able to with gifts to a private foundation, but using it as his charitable giving vehicle provides him with certain other advantages. In particular, he retains control over any Facebook shares he gives it; he can use its funds for political contributions and lobbying activities; and its granting transparency and executive pay disclosure requirements are significantly more lax. The CZI says that it has given out a total of $4.9 billion in grants to date; the amount of assets it has under management is not public, but as of 2020 it was estimated to be in the neighborhood of $80 billion.

Lessons from Pledgers Who Have Passed

14 U.S. Giving Pledgers have died leaving no surviving spouse to continue to fulfill the Pledge. There is incomplete information about their giving pledge fulfillment but **our analysis of public sources so far indicates that most funds went to family foundations.**

- **Chuck Feeney**, the late cofounder of the Duty Free Shoppers Group, gave away $8 billion over 22 years in an effective and focused manner through his Atlantic Philanthropies foundation. By the time of his death in 2023, Feeney was no longer a billionaire, and lived in a modest rented apartment in San Francisco. The Atlantic Philanthropies purposely began to spend down its assets in 2012 and closed permanently in 2020, all of its holdings given out to working charities.

- Microsoft cofounder **Paul G. Allen** took the Giving Pledge in 2010 when his wealth was $13.5 billion. He died in 2018 with $20 billion in assets, having given away $2 billion to charity during his lifetime. Upon his death, almost $1 billion of his estate went into the Paul G. Allen Family Foundation, which is administered by his sister, Jody Allen. But even after 13 years, it is unclear if Ms. Allen will ever fulfill Paul's Pledge by giving away nearly half of the remainder; she has so far made no public moves to do so. In November of 2022, a Christie's auction of Allen's art collection garnered over $1.6 billion from private buyers — per the late billionaire's wishes, his estate's administrators will "dedicate all proceeds to philanthropy" but have not specified how the money will be used for that end.

- **Barron Hilton** signed the Giving Pledge in 2010; he died in 2019 with an estimated $4.5 billion in assets. While he was living, he had given away $1 billion to charity. Upon his death, $2.4 billion from his estate went to the Conrad N. Hilton Foundation, founded by his father in 1944. With these gifts, both during and after his life, Hilton fulfilled the terms of his Pledge.

  However, the subsequent behavior of the Hilton Foundation raises questions about just how beneficial those gifts have been — and whether the Foundation is serving more as a charitable enterprise or as a vehicle for the benefit of the foundation officers and the Hilton family. According to its most recent tax return, for example, the Conrad N. Hilton Foundation had assets of $8.7 billion and declared just $320 million in charitable grants in 2021. They also counted $30 million in overhead towards their charitable distributions that year, however — including over $2 million in compensation of officers and trustees, and over $11 million in other employee salaries and wages. The compensation included more than $3 million in total compensation to the foundation's two co-chief investment officers and over $800,000 to the foundation's president and CEO. The foundation also paid out $35,000 to each of at least six Hilton family members serving on the board.

- Texas oilman **George P. Mitchell** was a bit of an enigma: a key promoter of the practice of hydraulic fracking, he also believed wholeheartedly in sustainability, gave millions to nonprofit environmental organizations, and fought hard to bring back the endangered whooping crane. He died with $3 billion in 2013 and, according to available tax filings, the Cynthia & George Mitchell Foundation received a total of $196 million from his estate via the Mitchell Management Trust between 2015 and 2018. With the estimated $400 million he and his wife had given to charity over their lifetimes, this brings Mitchell's total giving, in death and in life, to an estimated $596 million — about a fifth of his final net worth.

- Investment banker **Pete Peterson** was among the first group of 40 to take the Giving Pledge in 2010. In 1969, early in his career, he chaired the groundbreaking Peterson commission, which recommended several key charitable governance reforms, including the first annual payout requirements for private foundations. He supported the New York Community Trust for decades, and then in 2008 gave $1 billion to establish the Peter G. Peterson foundation, a deficit-reduction-focused organization that *Inside Philanthropy*'s David Callahan argues "len[t] mainstream credibility to conservative calls to slash government spending." Shortly before Peterson died, he gave $10 million to the Sesame Workshop and announced that he was leaving an additional $10 million to them in his will. He died in 2018 leaving an estate of $1.6 billion. He reportedly left the bulk of his estate to his foundation, but since estates can take years to settle, the full amount of that gift is not public at this point

- Oil magnate, hedge fund manager, and corporate raider **T. Boone Pickens** was one of the earliest signers of the Giving Pledge in 2010. Pickens was worth $4 billion dollars at his peak in 2007, but when he died in 2019 he was worth just $500 million. In part this was because his investments lost about half their value in the Great Recession of 2007-2009, but it was also because he gave away an estimated $1 billion to charity over his lifetime. He left relatively little of his estate to his children, in keeping with his belief that inherited wealth "generally does more harm than good."

  When Pickens gave, he gave big, and often gave big directly to working charities. He gave an estimated total of $160 million to his own private foundations since signing the Pledge. But he gave much more to working charities, including museums, hospitals, and universities. His $135 million gift in 2006 to his alma mater, Oklahoma State University, was the largest individual gift in history to a college athletics program, and his $7 million gift in 2007 to the Red Cross was the largest individual gift in history to that nonprofit. In the end he gave more than $500 million to Oklahoma State University alone—although his gift caused some controversy when the university invested it in a hedge fund controlled by Pickens.

- Chase Manhattan CEO **David Rockefeller** was a prolific giver while he was alive, and said he planned to give the bulk of his wealth to charity upon his death. When he died in 2017 his wealth had risen to $3.3 billion, but the majority of his assets were held in trusts for his children and only about $700 million was left to give out to charity. In total, Rockefeller gave away an estimated $1.7 billion over the course of his lifetime and in his will.

- **Albert Lee Ueltschi** earned his fortune from a pioneering career in aviation safety. During his lifetime, he was a dedicated supporter of charities fighting blindness, and was one of the founders of Orbis International. Ueltschi signed the Giving Pledge in 2012, a month before he died, a statement of his intention to "make a difference by helping other people." But before his death, he had moved about half of his assets out in trust for his inheritors, reducing his personal estate to $2.1 billion. In the end, of the estimated $4 billion he had accumulated over his lifetime, he gave a total of just $460 million to charity—both while he was living and in his will.

  It is also worth noting that Ueltschi had put a provision in his will that if the estate tax was no longer in effect when he died, nothing would have gone to charity at all. The charities that received his bequests did so only because the estate tax had been reinstated by the time he died in 2012.

How the Ultra-Wealthy Use Donor-Advised Funds

At a time of staggering inequality, wealthy donors — including billionaires like Mark Zuckerberg, Jack Dorsey, Sheryl Sandberg, Laurene Powell Jobs, and Paul Singer — are donating millions to donor-advised funds, or DAFs. DAFs are now the largest charities in the U.S. and rake in one quarter of all individual giving each year.

Donors can claim substantial charitable tax benefits for their contributions to DAFs, and can use their DAF accounts to quickly dump high-value complex assets or fund disinformation campaigns in complete anonymity. But DAFs have no payout requirement whatsoever, so there is no guarantee that the money will come back out to charity — ever. And because reporting requirements are currently so opaque, we will never know which DAFs are moving funds in a timely way to active charities, and which are warehouses where funds are parked indefinitely.

There is, in fact, a great deal of public support for implementing a payout requirement for DAFs. An Ipsos poll from 2022 found that most people don't know about DAFs and don't understand how they work — but that once they do, 72 percent support requiring DAFs to pay out funds within 2 to 5 years of receipt.

DAFs by the Numbers

DAFs Now Take in More than a Quarter of All U.S. Charitable Giving

In November 2023, the National Philanthropic Trust released their 2022 report on donor-advised funds. The report said that in 2022, DAFs received $85.5 billion in incoming contributions.

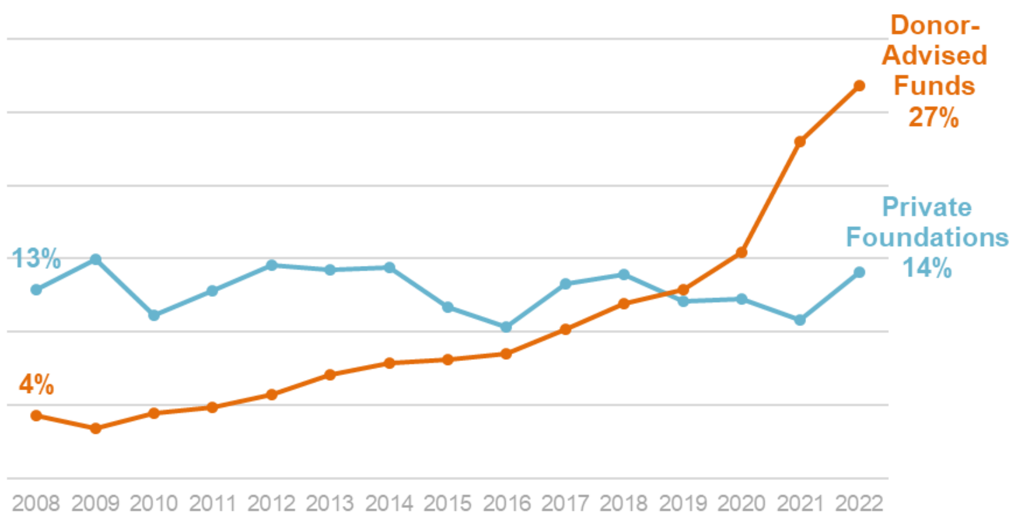
According to *Giving USA*, the gold standard of reporting on national charitable giving, individuals donated over $319 billion to charity in 2022. This means that the $85.5 billion that DAFs received made up 27 percent — more than one fourth— of individual giving that year.

In 2022, for the second year in a row, DAFs received more contributions than private foundations did. Donors gave $85.5 billion to DAFs versus $56.8 billion to private foundations. Together, these two types of intermediaries now take in 41 percent of all individual giving.

And national commercial DAF sponsors like Fidelity Charitable and Schwab Charitable dominate the field. National DAFs received $63.5 billion in donations in 2022, 74 percent of the total received by all DAFs.

An estimated 41 cents of every 2022 individual donation going to charity went to either a private foundation or DAF, up from 37 percent in 2021. In 2022, 27 percent of individual donations went to DAFs, up from 22 percent in 2021. In 2022, 14 percent of individual donations went to private foundations.

Percent of U.S. Individual Charitable Giving Going to Private Foundations and Donor-Advised Funds



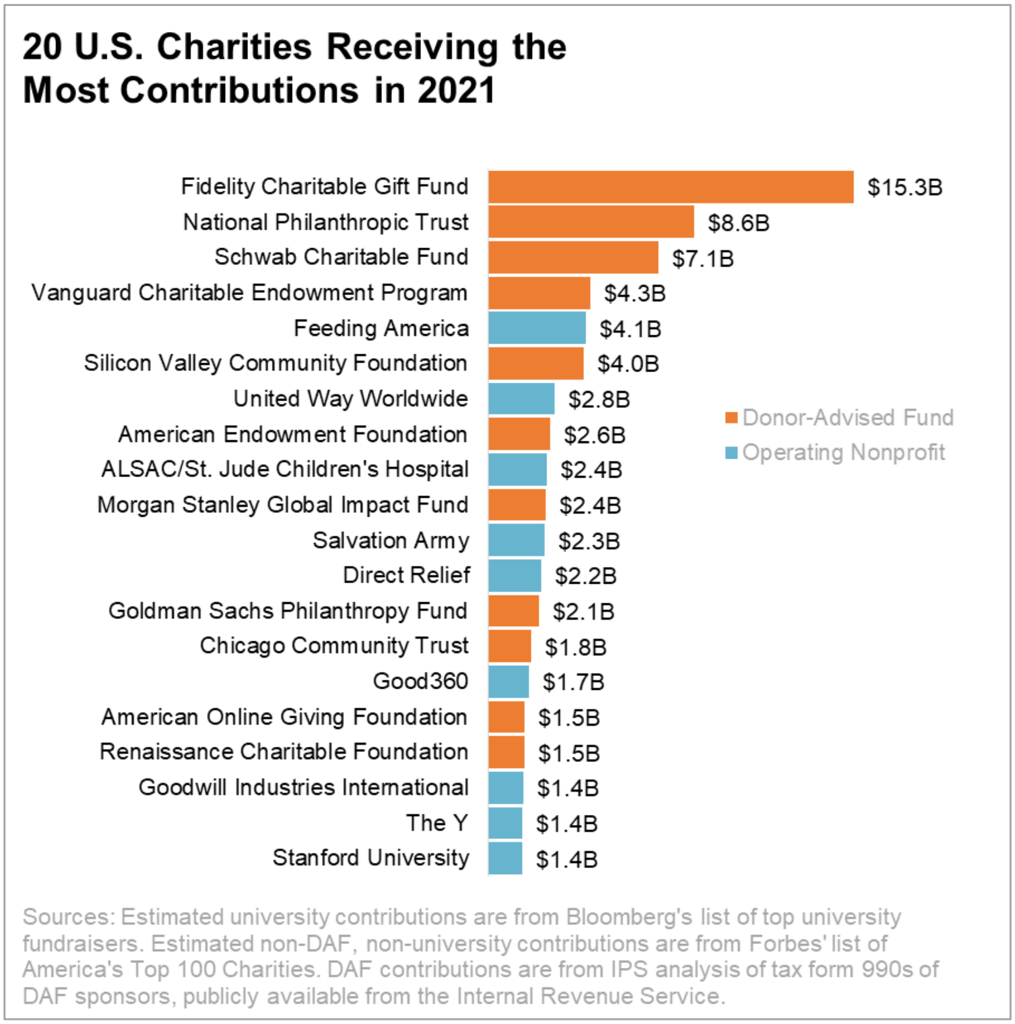
Sources: DAF giving is from the National Philanthropic Trust. Foundation giving is from *Giving USA*, minus the amount the NPT reported as being given to community foundation DAFs (to avoid double-counting that revenue).

DAFs Are Now the Largest Charities in the U.S.

According to the National Philanthropic Trust's report, U.S. DAFs held a whopping $229 billion in assets as of 2022. Nationwide, DAF assets have grown by 411 percent over the past 10 years since 2012.

DAF sponsors affiliated with for-profit Wall Street financial corporations are particularly concerning. As we have documented, these commercial DAFs provide enormous publicly-subsidized tax benefits to their wealthy contributors. And commercial DAFs have been growing explosively.

In fact, the largest commercial DAF sponsors now take in more money each year than our largest public charities. DAFs have seen such phenomenal growth that by 2021, seven of the top ten recipients of charitable revenue in the country were DAF sponsors.



DAF Payout

A donor-advised fund's payout rate is, at its most basic, the speed with which money comes out of the DAF and goes into the hands of its grantees each year. This makes payout rate one of the most important measures of donor-advised fund giving — and one of the most contentious as well. A high payout rate can provide a sponsor with evidence that the donations coming into their funds are being paid out at a relatively fast clip, and that they are therefore fulfilling their charitable purpose.

Payout rate, however, is a slippery animal. Analysts, economists, the IRS, and DAF sponsors themselves calculate it a number of different ways, and the results can vary quite a bit depending on the formula used. Our 2016 report on DAFs, Warehousing Wealth, contains an appendix that explores the diversity of payout calculations in detail, as well as the controversies around them.

Unfortunately, we have no nationwide data on the payout rates of individual DAF accounts, because there is no requirement for sponsors to report them. We have to rely instead on the aggregate rates reported by industry providers or the sponsors themselves. And the industry generally inflates these rates by using the most favorable (and sometimes deceptive) calculation methods mentioned above.

DAF Payout Rates Are Likely Much Worse than We Think

However, a few recent, reliable studies on account-level data indicate that typical DAF account payout rates can be abysmally low.

Data from the Council on Michigan Foundations

A 2021 report from the Council on Michigan Foundations, or CMF, showed that the money flowing out to working charities from donor-advised funds at community foundations in Michigan was astonishingly slow. Based on account-level data for 2,600 DAFs, CMF found that in 2018 the median payout rate for Michigan's DAF accounts was just 3.1 percent.

And it gets worse. The CMF found that in 2020, only 43 percent of DAF accounts paid out grants to charity at 5 percent or more—the minimum currently required of private foundations. 22 percent of the accounts paid out less than 5 percent. And 35 percent—more than one third—paid out *nothing at all* to charity that year.

In fact, on average, 37 percent of Michigan's DAF accounts don't pay out any money in any given year. And most of Michigan's community foundations require a DAF to make a distribution at least once every three years — making it likely that if this requirement didn't exist, the portion of DAFs that didn't distribute anything to charity in any given year would be even higher.

Data from the California Attorney General

The California Attorney General's office conducted their own analysis of account-level DAF data in 2022, for which they audited funds held at 57 community foundation, national, and mission-based sponsors based or registered in their state.

They reported that from 2016 to 2020, overall, 20 percent of DAFs paid out less than 5 percent in any given year. When they broke this payout rate down by sponsor type, they discovered that 32 percent of DAF accounts held at commercial sponsors and a full 42 percent of DAF accounts held at community foundations paid out at less than 5 percent.

Data from the DAF Research Collaborative

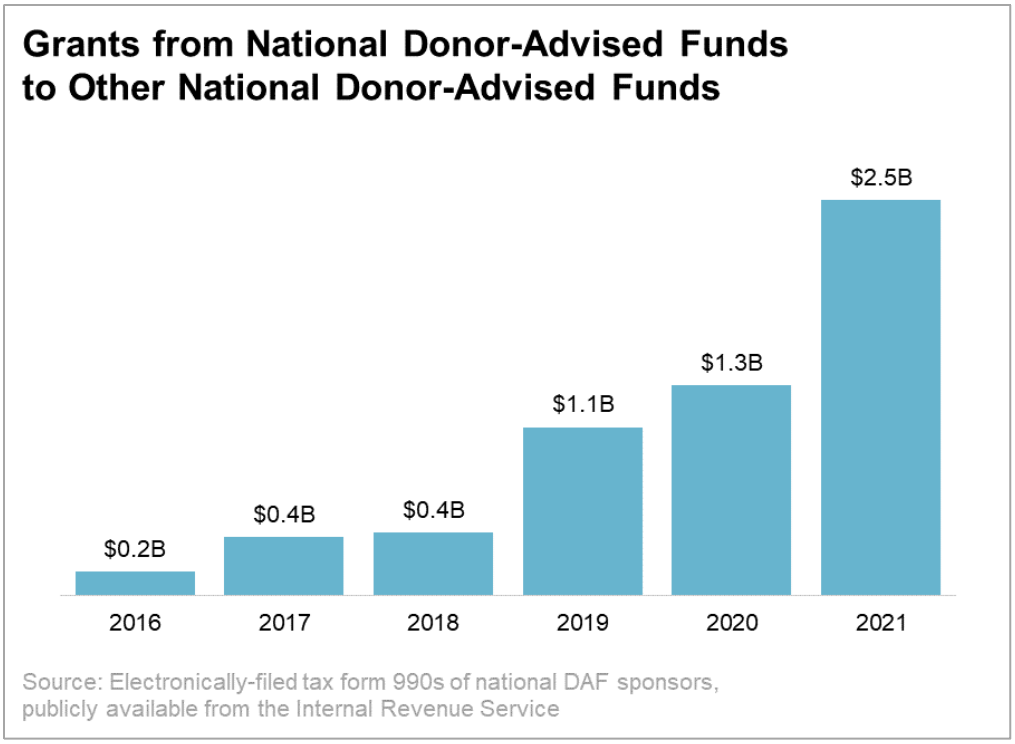
A 2022 account-level study by the DAF Research Collaborative, or DAFRC, examined individual DAF account-level data from a voluntary nationwide sample of community foundation sponsors. They found that the median four-year payout rate for all DAF accounts in their dataset was 11% — just half the average aggregate rate that the National Philanthropic Trust reports. And the Collaborative discovered that from 2017 to 2020, 35 percent of the accounts they examined paid out less than 5 percent in any given year.

In a later study, the DAFRC also found that when an account goes dormant, it can typically go 54 months before becoming active again — and even then a token grant as small as $50 or $200 may be all it takes for a sponsor to consider it active again.

Many DAF Grants Go to Other DAFs — Not to Working Charities

In the California Attorney General's report, DAF-to-DAF transfers made up 10.8 percent of all the grants they analyzed. Community foundation sponsors gave the greatest proportion of their grants — 17.8 percent — to other DAFs.

And in our own analysis of DAF sponsor tax returns, we found that national donor-advised fund sponsors gave a tremendous amount of money to other national DAFs — including $2.5B in 2021 alone.



This is almost certainly an undercount of the true amount of DAF-to-DAF giving, since we could only analyze the DAF sponsors that filed online, and we didn't include DAF-to-DAF transfers to and from community foundation sponsors.

DAF-to-DAF granting can happen for several reasons. Donors may switch between commercial DAFs when they change banks in order to have their wealth management portfolio and their DAF held in the same institution. They may want to take advantage of better giving advice, lower fees, or higher yields. And donors may switch between commercial DAFs in order to further conceal their identities, rendering their gifts completely anonymous. Regardless of the reason, this is an enormous amount of money cycling between investment portfolios, rather than moving out to working charities.

Impact Investing and Endowed Accounts Further Entrench DAF Assets

DAFs were originally meant to be revolving funds moving revenue quickly out to charities. But, as we have discussed, they fall far short of fulfilling that goal. And newly popular impact investing strategies and self-described "endowed" DAF accounts are jeopardizing the deployment of DAF assets even further.

Impact investments are investments in socially-responsible businesses that will likely earn lower returns than conventional ones, but where the social benefit from those ventures will theoretically outweigh the lower revenue. And donor-advised fund sponsors have jumped into the impact investing world with both feet. DAF sponsors typically offer smaller-scale, more traditional ESG stock screening and SRI fund options to their donors, but some also offer their donors additional larger-scale choices such as socially-responsible venture capital investments, microfinancing, and loans to nonprofits.

Impact investments are offered not only by national commercial DAF sponsors such as Fidelity Charitable, Schwab Charitable, and DonorsTrust, but also by large community foundations such as the Silicon Valley Community Foundation, the San Diego Foundation, and the Denver Foundation. Fidelity and the National Philanthropic Trust (NPT), for example, offer tiered approaches where donors with small DAF accounts can choose one of four standard impact investing options, and donors with accounts over $250,000 (for Fidelity Charitable) and $500,000 (for NPT) can customize impact investing portfolios in more complex ways.

All of these varieties of impact investments allow donors to direct portions of DAF assets into the specific impact investment funds, screening programs, and capital ventures of their choice — even though those donors have technically given up control over those assets by donating them to the sponsor. And while these investments are theoretically designed to have a positive social impact, their impact is notoriously hard to evaluate and they often are riskier and can tie up assets for years. While it is certainly appropriate for individuals to invest their own assets in socially-responsible investments, **it is an open question whether such a strategy should be**

applied to publicly subsidized, tax-advantaged vehicles such as DAFs, where assets should be readily convertible to grants.

Sponsors are also increasingly offering their donors the opportunity to create self-described "endowed" or "endowment-style" DAF accounts. The DAF Research Collaborative examined these as part of a 2023 analysis and found that for endowed funds, sponsors often only allow a *maximum* payout that is in the low single-digits. For the accounts in their analysis, the average annual payout rate allowed was 4.4 percent.

The Shadow Side of DAFs

Most DAF donors are earnest about using their funds to give back to society. But because of how they are structured, DAFs are ripe for dangerous forms of abuse.

DAFs Allow Donors to Dump Complex Assets at Inflated Values

DAF donors are currently able to take a tax deduction for the donation of complex, non-cash assets such as cryptocurrency, artwork, and real estate — assets which can be notoriously difficult to appraise. It is significantly easier to make this type of donation to a DAF than to a private foundation, and the tax benefits are greater. Since DAF sponsors are technically public charities, and donors therefore, in theory, cede more control over assets donated to DAFs than they would if they gave to a private foundation, the tax law provides for higher caps on the deductibility of gifts to DAFs.

As evidence that this feature of DAFs is an appealing one to donors, the National Philanthropic Trust has reported that complex assets made up 8 percent of all donations to DAFs over the past five years. And Fidelity Charitable wrote in their 2023 Giving Report that $1.4 billion of their incoming 2022 contributions — more than 9 percent of the $15 billion total — were in the form of complex, non-publicly-traded assets.

The problem is that this sort of property can easily be appraised at significantly inflated values, allowing donors to claim a large deduction for an asset for which the actual sale amount may turn out to be much lower. This may well have been the case in 2013 when billionaire **Leonard Lauder**, the son of Estée Lauder, donated his collection of Cubist artwork to the Metropolitan Museum of Art in New York City. We do not know the amount Lauder claimed for his tax deduction but, at the time, estimates of the value of the collection ranged from $1 billion to $2 billion — leaving a great deal of room for subjective variation.

DAFs Can Be Used for Dark Money

Perhaps one of the most concerning aspects of DAFs is that there is currently no way to track grants from individual DAF accounts. In fact, DAFs can be used to anonymize giving entirely through a simple loophole: if a donor directs a gift from a DAF at one sponsor to a DAF at another sponsor, they only need to put their lawyer's name on the grant as the adviser, not their own, and any subsequent grants from the second DAF account will then be untraceable back to the original donor. This allows DAFs to be used to hide transfers — similar to the way the ultra-wealthy use multiple shell companies to hide the movement of money among offshore accounts.

This lack of transparency allows donors to funnel money anonymously to certain groups that might otherwise draw more scrutiny. For example, the watchdog organization openDemocracy found that from 2017 to 2020, donors had legally funneled $272 million anonymously through donor-advised funds to anti-rights groups, including four designated as hate groups. And billionaires such as Paul Singer, Charles Koch, and Barre Seid have long been using donor-advised funds to hide their contributions to nonprofits, including those spreading misinformation about climate change and advocating for anti-rights and anti-tax policy.

How the Ultra-Wealthy Use Private Foundations

Billionaires such as Warren Buffett, Bill Gates, Elon Musk, Charles Koch, and Sergey Brin pour billions into private foundations. In exchange for charitable tax deductions, that money is supposed to be moving out to charities that benefit the public in a timely way. Unfortunately, however, it isn't always finding its way back out as quickly as it should.

Foundations are required to give out at least 5 percent of their assets in charitable distributions each year, which should ensure at least a modest payout. But, by and large, foundations hew closely to the 5 percent minimum. Foundations can also count grants to DAFs, impact investments, trustee compensation, and other administrative expenses as charitable distributions, reducing the flow of grants to working charities. And trustee compensation can even include payments to their own wealthy founders and family members.

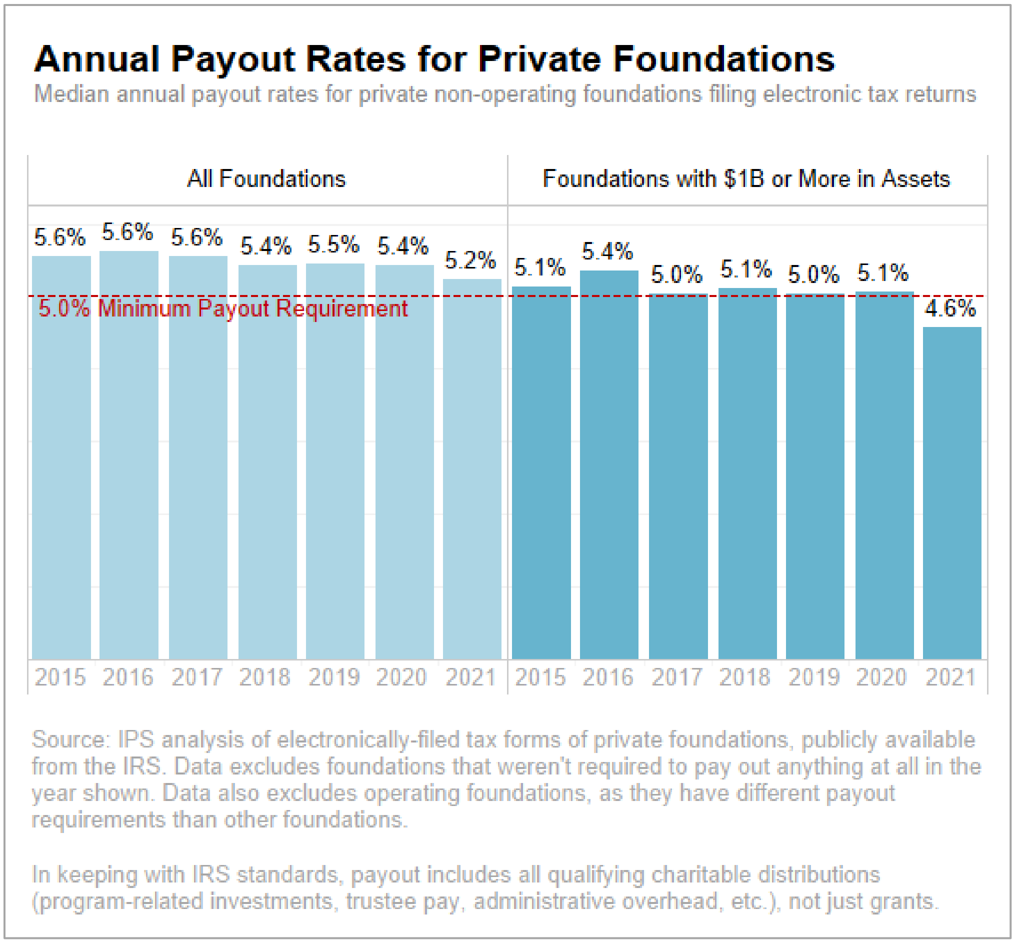
The public strongly supports demanding more from private foundations, and that support is consistently strong across the political spectrum. According to a 2022 Ipsos poll, 82 of the Americans surveyed did not believe that taxpayers should subsidize the wealthy to establish perpetual foundations, and 69 percent supported a 10 percent payout requirement for foundations — even if it reduced the amount of money available for future grants.

Foundations Stick Closely to the Minimum Payout Requirement

For years, there has been considerable debate in philanthropic circles about whether private foundations treat their annual 5 percent payout requirement more as a floor or as a ceiling.

In our own analysis of foundation tax return data, we found that over the past seven years, the typical foundation has hovered consistently just above the 5 percent minimum payout requirement. From 2015 to 2021, the median payout rate for private non-operating foundations varied from a high of 5.6 percent in 2016 and 2017 to a low of 5.2 percent in 2021.

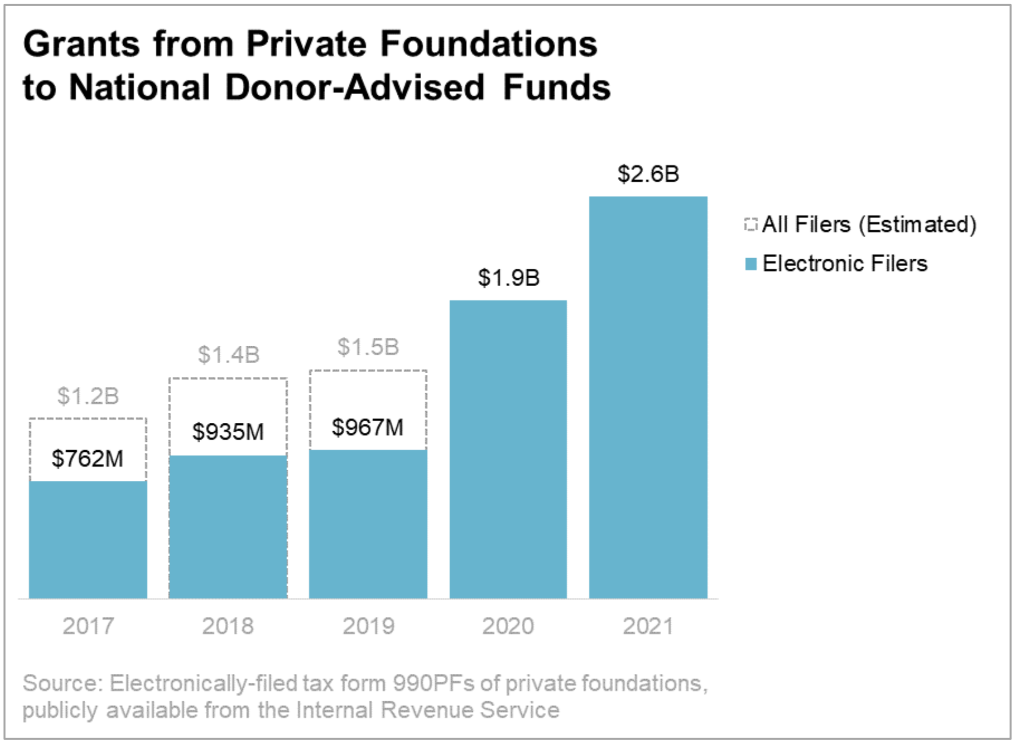
The country's very largest foundations, those with a billion dollars or more in assets, had lower payout rates than the overall foundation population. From 2015 to 2021, median payout rates for billion-dollar-plus foundations varied from a high of 5.4 percent in 2016 to a low of 4.6 percent in 2021. In most years, these giant foundations generally paid out 5.0 or 5.1 percent.



Foundations Can Use Grants to DAFs to Meet Payout

Private foundations are currently allowed to make grants to donor-advised funds, or DAFs, and to count those grants toward their 5 percent annual distribution requirement. When foundations fulfill their payout requirement by giving to DAFs — giving vehicles with no payout requirement at all — it turns foundation giving into a financial shell game that subverts the public purpose behind that requirement.

In our own analysis of private foundation tax returns, we found that private foundations gave more than $2.6 billion to national DAFs in 2021 alone. Unfortunately, due to the lack of reporting requirements for DAFs, we have no way of knowing whether these funds were immediately re-granted by the recipient DAFs or still remain warehoused.



Our nation's wealthiest people are no slackers when it comes to foundation-to-DAF transfers. When we ranked private foundations by how much money they had given to national DAFs in recent years, many on the list were foundations run by today's billionaires. For many of these foundations, DAF grants made up all or nearly all of their charitable distributions over the five years we studied. We highlight a few below.

- The Zoom Foundation (no relation to the video-conferencing technology company) is the private foundation of billionaire hedge fund investor **Stephen F. Mandel** and his wife **Susan**. The foundation gave more than $263 million from 2017 to 2021 to the Fidelity Charitable Gift Fund; their 2021 gift alone amounted to more than $90 million. These contributions made up nearly the entirety of their charitable distributions over those five years, landing the Zoom Foundation at the top of our list of most prolific DAF-giving foundations.

- Billionaire hedge fund manager and Giving Pledger **Paul Singer** has two private foundations. The Paul E. Singer Foundation, the larger of the two, typically meets its annual payout requirement only through grants to Paul Singer's DAFs. Of the grants made by the foundation, 85 percent of the money the foundation granted from 2017 to 2021 went to Singer's DAF at J.P. Morgan Chase.

- The private foundation founded by Montana billionaire industrialist **Dennis Washington** and currently run by his wife **Phyllis** has granted an average of $16.5

million to the Fidelity Charitable Gift Fund each year for the past five years. These grants amount to $82 million and account for 41 percent of the foundation's grants over that time.

- Google co-founder **Sergey Brin**'s private foundation gave $66 million to national DAFs from 2017 to 2021. This represented just over 20 percent of the foundation's total grants over that time. The foundation's largest DAF grants were a $31 million grant to the National Philanthropic Trust in 2017, and a $32 million grant to the Jasper Ridge Charitable Fund in 2018.

- The Musk Foundation, the private foundation of **Elon Musk**, gave out $60 million in grants to DAFs from 2017 to 2021, accounting for almost 82 percent of the foundation's total grants over that time. Most of that money — $38 million — went to establish a donor-advised fund at Vanguard Charitable, and more than $12 million went to a DAF at Fidelity Charitable.

Top 20 National-DAF-Giving Foundations, 2017-2021

Foundation	EIN	Giving to DAFs 2017	Giving to DAFs 2018	Giving to DAFs 2019	Giving to DAFs 2020	Giving to DAFs 2021	Total Giving to DAFs 2017-2021	% of Total Grants 2017-2021
The Zoom Foundation	06-1600601	$47,176,000	$58,051,000		$68,446,000	$89,786,000	$263,459,000	99.9%
The Carl Victor Page Memorial Fnd.	20-1922957			$118,250	$30,984,688	$195,981,039	$227,083,977	100.0%
Novo Foundation	47-0824753		$51,224,156	$50,215,895	$54,520,458	$65,214,792	$221,175,301	23.6%
The Paul E Singer Foundation	27-2009342	$15,500,000	$79,000,000	$46,000,000		$46,000,000	$186,500,000	85.4%
Wellspring Philanthropic Fund	22-3692921	$79,830,000	$53,513,817	$26,895,100	$6,305,245	$2,310,832	$168,854,994	12.3%
The Davis Family Foundation	01-0751429		$35,360,000	$30,050,000	$38,200,000	$44,500,000	$148,110,000	79.2%
136 Fund	26-1595284	$43,500,000	$38,900,000	$60,177,659			$142,577,659	99.9%
Kataly Foundation	83-2592980			$40,000,000	$59,030,928	$39,061,856	$138,092,784	100.0%
Intel Foundation	94-3092928	$21,743,800	$24,707,401	$21,382,677	$26,085,519	$26,314,890	$120,234,287	66.2%
A Good Name Foundation	58-1375066			$20,882,106	$37,342,750	$56,743,600	$114,968,456	85.9%
The Hollyhock Foundation	54-2091336	$4,505,000	$25,609,000	$17,532,000	$24,200,000	$25,950,000	$97,796,000	68.8%
The Jesus Fund	86-1108441	$13,000,000	$18,000,000		$31,000,000	$30,000,000	$92,000,000	93.7%
The Bolthouse Foundation	77-0186343	$9,600,197	$18,050,000	$3,000,000	$34,000,000	$20,500,000	$85,150,197	100.0%
Bill & Melinda Gates Foundation	56-2618866	$19,787,166	$16,507,749	$12,975,219	$18,752,578	$16,364,863	$84,387,575	0.3%
Dennis & Phyllis Washington Fnd.	36-3606913	$13,725,000	$12,200,000	$28,600,000	$22,000,000	$5,850,000	$82,375,000	41.0%
Jay & Rose Phillips Family Fnd. (CA)	27-4196690					$81,928,543	$81,928,543	99.9%
The Quetzal Trust	52-7140888	$21,679,950	$21,000,000		$15,000,000	$23,200,003	$80,879,953	100.0%
Jay & Rose Phillips Family Fnd. (CO)	27-4196851					$80,417,874	$80,417,874	99.4%
United Health Foundation	41-1941615			$26,053,113	$24,863,288	$23,943,781	$74,860,182	48.7%
Sergey Brin Family Foundation	47-2107200	$31,839,669	$32,882,440			$1,004,924	$65,727,033	20.1%
Musk Foundation	77-0587507	$37,798,322			$20,701,689	$1,364,300	$59,864,311	81.9%
Aurora Foundation	36-7634806				$20,000,000	$37,500,000	$57,500,000	100.0%
The Anne Wojcicki Foundation	47-1835703	$17,780,976	$16,608,728	$16,000,123	$6,500,000		$56,889,827	63.3%
GDS Legacy Foundation	27-1463916		$35,817,610	$14,535,235			$50,352,845	96.4%
Mercer Family Foundation	20-1982204	$500,000		$1,400,000	$38,500,000	$5,800,000	$46,200,000	94.4%

IPS analysis of electronic private foundation tax filings. Where Giving to DAFs is blank, the foundation's tax return was not filed electronically that year.

Foundations Can Use Impact Investments to Meet Payout — and Reduce their Tax Liability

DAFs aren't the only charitable institutions that engage in impact investing; private foundations do as well. Foundations can use for-profit impact investing to reduce the amount they must pay out in grants as well as the amount they pay in excise taxes each year.

Each year, foundations are subject to an excise tax on the income they earn from the assets they hold. Foundations can reduce their excise taxes through two types of impact investments: Program-Related Investments (PRIs) and Mission-Related Investments (MRIs).

PRIs have three requirements: they must further the foundation's mission; their main purpose must be the social benefit they impart, rather than their financial return; and they must not be used for political campaigning or lobbying. If an investment meets all these criteria, the IRS doesn't include it when calculating how much the foundation must distribute to charity each year — and the amount of the investment can also count towards the foundation's 5 percent minimum payout requirement. This means that PRIs can be used to boost the foundation's payout rate without actually depleting the foundation's assets, and without actually giving out more in grants to working charities.

MRIs can't be used to lower the foundation's payout requirement or to count towards it, so they are held to a much lower legal standard. The only condition is that the primary goal must be a positive social impact, rather than a financial return. If a foundation can convince the IRS that an investment qualifies as an MRI, then the amount they have invested in that project will not be subject to excise taxes.

Many large foundations, including some managed by today's billionaires, are putting sizable chunks of their assets into impact investments — both PRIs and MRIs. The Gates Foundation, the Ford Foundation, the MacArthur Foundation, and the Packard Foundation are just a few of the foundations that have embraced this approach.

There is certainly a place in today's market for impact investing. We might, in fact, hope that all investment managers include environmental and social considerations in their investment decisions. But impact investing all too often serves as a publicly-subsidized long-term parking lot for revenue that should be making its way out to working charities instead.

And impact investing can blur the boundaries between finance and philanthropy, lulling investors into thinking that for-profit investments can solve our societal ills when, in fact, putting that money into nonprofit approaches may be more effective. When these investments are underwritten by the U.S. public through reduced taxes, we must be sure that we are getting an appropriate public benefit in return.

Foundations Can Use Trustee Compensation to Meet Payout — and Enrich Their Founders

The vast majority of foundation trustees are volunteers who do their work for free. By and large, the most well-compensated trustees tend to be employees of the country's largest foundations — typically executives such as chief investment officers and executive directors, who also serve on the foundation's board. But at thousands of smaller foundations, paid trustees include the foundation's own wealthy donors, its founders, or the founders' family members. And all foundations, both small and large, can count the amount they pay in trustee compensation toward their charitable distribution requirement each year.

It can make sense for foundations to compensate trustees who are staff members working full time carrying out their charitable mission. Good salaries for those employees can arguably attract a wider diversity of candidates for those positions. Many foundations also need to attract special governance expertise from under-represented communities, and compensating these people for their time and expertise will strengthen their missions.

Compensation for family-member trustees is a different story — especially when their involvement in foundation governance may be limited to a few hours each year. It is difficult to argue that anyone who has the financial means to set up a private foundation is justified in using foundation assets to enrich themselves or their relatives.

Unfortunately, however, there is no systematic way to determine from foundation tax returns whether a trustee is a paid staff member, a bank representative, or a member of the founder's family. To get a clearer picture of founder and family member trustee compensation, therefore, we gathered the tax filings of private foundations that filed electronically during the 2021 tax year and examined them manually.

Key Facts about Trustee Compensation

- **On average, 29 percent of foundations pay compensation to their trustees.** Of the 113,477 foundations that filed their taxes electronically in 2021, 33,028 of them compensated their trustees to some degree.

- **In 2021, foundation trustee compensation totaled $2 billion.** Foundations applied $1.2 billion of this total towards their charitable distribution amount.

- **Larger foundations are far more likely to compensate their trustees than smaller ones.** In 2021, 56 percent of foundations with assets of $50 million or more paid compensation to their trustees. This is likely because at larger foundations, trustees are more likely to be paid staffers serving in high-profile, full-time jobs such as executive directors or chief financial officers. At smaller foundations, the trustees are more likely to be founders or family members.

- **75 foundation trustees earned $1 million or more in total compensation in 2021.** 60 of these trustees were paid employees, 13 were banks, one was a law firm, and one was a family office.

Key Facts about Trustee Compensation to Founders and their Families

- **The most well-compensated identifiable founder trustee was paid $960,000 in total compensation in 2021**. This was Mark Du Mas, the president of the Georgia-based Paces Foundation, which he founded in 1991. The most well-compensated family-member trustee was Peter L. Richardson, who was paid $957,119 in total compensation as chairman of his great-uncle's Smith Richardson Foundation. Several other founder or family member trustees of other foundations made well over $400,000 in annual compensation that same year.

- **Some of our country's wealthiest people are among those using their private foundations to compensate themselves.** In a 2021 report, the Institute for Policy Studies found that at the 248 foundations managed by the nation's top 50 dynastically wealthy families in 2018, trustee compensation paid to family members amounted to a total of $4.4 million from 2016 to 2018.

- **Some of these wealthy family members are paid surprisingly high amounts for their trustee service.** The du Pont family's Longwood Foundation, for example, pays its president, a du Pont descendant, more than $300,000 in compensation per year. The H.E. Butt Foundation pays upwards of $250,000 each year to its president, the husband of a Butt family heir.

Top-Compensated Founder and Family Trustees

Because of the difficulty in separating out trustees who are founders or family members from trustees of other types, we were not able to create a definitive list of the twenty most well-compensated, closely-related trustees in 2021. However, in a manual dive into the data, the ten most well-compensated trustees we were able to identify as being either founders or family members were:

- **Mark Du Mas**, who made $960,000 in total compensation as the president of the Georgia-based Paces Foundation, which he established in 1991. The foundation is a nonprofit housing developer that builds affordable homes for low-income families in several southern states, and receives much of its funding from public state home financing corporations.

- **Peter L. Richardson**, who made $957,119 in total compensation as the chairman of the Smith Richardson Foundation, and his cousin **Heather Richardson Higgins**, who earned $460,475 in total compensation as the president of the Randolph Foundation. Richardson and Higgins are both descendants of Lunsford Richardson, the founder of the company that eventually became Vicks-Richardson, maker of Vicks VapoRub. And both of the foundations they helm were originally established by their great-uncle Smith Richardson, one of Lunsford's sons and a former president of Vicks-Richardson.

- **Pamela Scholl**, the grand-niece of the founder of Dr. Scholl's foot care products company, who made $805,597 in total compensation as the president of the Dr. Scholl Foundation. Ms. Scholl's relatives Daniel and Susan Scholl also sit on the foundation's board and each earned $35,000 for their trustee service.

- **Jan Neuharth**, who earned $769,159 in total compensation as chair of the Freedom Forum foundation. The Forum was founded by Neuharth's late father, Al Neuharth, the former chairman of the Gannett media company, which owns hundreds of local newspapers in the U.S. and United Kingdom including USA Today.

- **Abby Spencer Moffat** and **Diana Davis Spencer**, who made $769,118 and $773,415, respectively, in total compensation for their board service at the Diana Davis Spencer Foundation. Spencer, who renamed the foundation after herself in 2007, is the daughter of the foundation's founders, and Moffat is her daughter.

- **Doug Galen**, who earned $733,986 as president of Rippleworks, a foundation he created to provide startup capital to nonprofits. Galen made his fortune as one of the co-founders of the online lending company E-Loan, and endowed his foundation entirely with cryptocurrency.

- **Heather Templeton Dill**, who earned $472,692 in total compensation as president of her grandfather's John Templeton Foundation. At least five other Templeton family members sat on the foundation's board and earned a total of $73,611 in compensation between them that same year. The Templeton Foundation is one of the largest foundations in the country, with $3.8 billion in total assets, but its payout rate tends to be on the low side; in 2021, it paid out at 4.5 percent.

- **Julia Irene Kauffmann**, who made $453,586 in total compensation as the director of her late mother's Muriel McBrien Kauffman Foundation. Ms. Kauffman served as the director in 2019 and 2020 as well, but we were unable to confirm how much she received that year as the trustee compensation statements are missing from the foundation's tax returns.

Trustee Compensation Paid to the Nation's Wealthiest Dynastic Families

We do know anecdotally that some of our country's wealthiest families are among those using their private foundations to compensate themselves. Members of these families are worth millions and, in some cases, billions of dollars — people who can well afford to forgo a salary or a stipend.

In a 2021 report, *Silver Spoon Oligarchs: How America's 50 Largest Inherited-Wealth Dynasties Accelerate Inequality*, the Institute for Policy Studies examined Forbes' list of the fifty wealthiest families in the United States. We discovered that these top 50 families had set up more than 248 foundations between them, housing more than $51 billion in assets as of 2018.

While most of these foundations do not pay any compensation to family members serving as trustees, a few of them do. Of the 248 foundations founded by dynastically wealthy families, we identified twelve of them that paid compensation to a total of nineteen family member trustees. This compensation amounted to a total of $1.6 million in 2018.

The greatest one-year compensation for dynastically wealthy family members was $370,743 paid to Bechtel heiress Lauren Bechtel Dachs in 2018 — a philanthropic golden parachute for her last year as president of the spend-down S.D. Bechtel Jr. Foundation. Not far behind Dachs was Éleuthère Irénée du Pont II, a descendent of the founder of the du Pont chemical company, who earned $353,839 in total compensation for his service as president of his family's Longwood Foundation.

What Billionaire Philanthropists Cost Us

Our national tax system contains a large and complex set of deductions, exclusions, and other provisions related to charitable giving. All of this results in lost tax revenue, forcing less wealthy taxpayers to pick up the slack to fund crucial public services. There is broad public support for this taxpayer subsidy for charitable giving when funds reach working charities in a timely manner.

In fact, according to nonprofit law experts Ray Madoff and Roger Colinvaux, if you add up all the possible federal charitable tax reductions related to income, capital gains, estate, and gift taxes, taxpayers can subsidize wealthy philanthropists by up to 74 cents for every dollar those philanthropists donate. And the wealthier the donor, the larger the public subsidy.

How much in lost tax revenue are we talking about? Unfortunately, there is currently no way to answer that question completely. While some components of charity-related revenue costs are well documented and relatively well estimated, there is little or no data about others.

We know for certain that the taxpayer subsidy in 2022 was $73.34 billion due to personal and corporate charitable deductions, but this is almost certainly a severe undercount. If we include what we know about charitable bequests and the investment portfolio transactions of charities themselves, the taxpayer subsidy for charity is pushed up more into the neighborhood of $111 billion. And if we also include the capital gains revenue lost from the donation of appreciated assets by individuals, estates, and bequests, the full taxpayer subsidy for charity likely adds up to several hundreds of billions of dollars each year.

Components of Charity-Related Revenue Costs

We have identified the following components of the revenue cost of charity for 2022. For each, we have either an estimate, a partial estimate, or a non-estimate due to the absence of information.

Charity-Related Revenue Costs Related to Individuals

Direct costs from charitable income tax deductions	$66.57 billion
Revenue lost due to non-taxation of capital gains when individuals *donate* appreciated assets rather than cash	Unknown
Direct costs from charitable estate and gift tax deductions	Unknown; likely in excess of $20 billion
Revenue lost due to non-taxation of capital gains when estates *bequeath* appreciated assets instead of cash	Unknown

Charity-Related Revenue Costs Related to Corporations

Direct costs from charitable corporate tax deductions	$6.77 billion
Revenue lost due to non-taxation of capital gains when corporations donate appreciated assets rather than cash	Unknown

Charity-Related Revenue Costs Related to Nonprofits

Revenue lost due to non-taxation of investment transactions within nonprofit portfolios	Unknown; likely in excess of $25 billion

Total Charity-Related Revenue Costs

Total	Likely in excess of $111 billion. This includes $73.34 billion in known costs; at least $45 billion in less comprehensively estimated costs; and an unknown amount in costs from tax reductions for which there is no estimate of any kind available.

Direct and Indirect Revenue Costs

Charitable giving by individuals, estates, and corporations may all result in two types of taxpayer subsidies:

1. **The direct cost of the tax deduction taken by the donor for the value of their gift**

2. **The indirect cost of the tax savings the donor receives by not having to pay capital gains taxes on appreciated assets, when they donate those assets instead of cash**

These two forms of taxpayer subsidy may be made more understandable with an example. Let's say that a donor has shares of stock that she wishes to donate to charity. She originally bought the shares for $200, and now those same shares are worth $1,000.

If she donates those shares to a tax-exempt nonprofit organization, she will get two different forms of tax reductions for her gift:

1. **She can use the $1,000 value of her shares to reduce her taxable income by $1,000, thereby directly reducing her income taxes.**

2. **She also avoids paying capital gains taxes on the $800 in appreciated value of her shares of stock, thereby receiving an indirect tax savings.**

Depending on the actual size of a gift, the first form of taxpayer subsidy can result in up to a 37% tax savings. And the second type of tax reduction can result in an additional savings of up to 20% on top of the first.

For wealthy donors with large amounts of appreciated property—from stocks and real estate to artwork and rare books—this can add up to very large tax savings indeed.

In fact, the total federal subsidy that taxpayers shell out for income, capital gains, estate, and gift charitable tax reductions can be as much as 74 cents on every dollar a mega-donor gives to charity — and the wealthier the donor, the larger the subsidy they receive. This also does not include state-level tax incentives for charitable giving, which can significantly increase this subsidy, depending on the state. A billionaire in California, for example, can receive an additional state tax subsidy of as much as 56 cents for each dollar donated.

The Components in Detail

Charity-Related Revenue Costs Related to Individuals

1. **Direct costs from charitable income tax deductions**

   Each year, the U.S. Department of the Treasury issues reports of tax expenditures—the costs to the taxpayer of various exclusions, deductions, and other bypasses of the tax code. These reports give us a solid estimate of the direct costs resulting from charitable income tax deductions.

   In 2022, these costs amounted to **$66.57 billion**.

2. **Revenue lost due to non-taxation of capital gains when individuals donate appreciated assets rather than cash**

   Wealthy Americans have a huge amount of property in the form of appreciated assets. Usually this takes the form of stocks, bonds, and real estate, but it can also extend to complex, non-publicly-traded assets such as limited partnerships, cryptocurrency, artwork, and antiquities. As we discussed earlier, when people donate these assets to charity, they are able to receive a two-fold tax savings: a reduction in their income taxes, and the avoidance of capital gains taxes.

The indirect costs of the tax reductions that individual donors receive by not having to pay capital gains on donated appreciated assets is much trickier to estimate than the direct costs. There is currently no reliable source that tells us how much this adds up to each year.

This is unfortunate, because this type of donation is common for wealthy donors, and is growing rapidly. Virtually every national donor-advised fund sponsor, in particular, emphasizes the tax advantages of donating non-cash assets to their donors.

Case Study: Warren Buffett's Gifts of Stock

Billionaire Warren Buffett gives significant amounts to charity every year. In June 2021, he announced that he was giving away $4.1 billion to the Bill & Melinda Gates Foundation and four of his family's foundations that year. All of the donations were in the form of Berkshire Hathaway stock.

On the day he announced his donation, Class A shares of Berkshire Hathaway stock were worth $420,194. If we assume that all of the shares that Buffett donated were Class A shares, it means that his donations were made up of roughly 9,757 shares of stock.

Buffett bought Berkshire Hathaway in 1965, when its stock shares were worth $19 apiece. If we assume that all of the shares Buffett gave away in 2021 were bought in 1965, it means that his stock would have been worth just $185,383 in 1965, and that it increased in value by more than $4 billion over the next five decades until he gave it away.

Buffett's annual taxable income of about $25 million per year put him in the top capital gains tax bracket in 2021. This means that if he had sold his stock instead of donating it to charity, he would have had to pay 20 percent in taxes on its entire appreciated value of over $4 billion.

This would have resulted in capital gains taxes of more than $819 million for Mr. Buffett in 2021. But he avoided paying this tax—and that revenue was lost to the U.S. public—by giving it to private foundations instead.

Unless Buffett gives away almost all of his fortune, his estate will very likely pay federal estate taxes upon his death. The charitable gifts Buffet made to charity during his life will greatly reduce the size of his taxable estate, further increasing the subsidy of Buffett's donations. For mega-donors such as Buffett, the combined public subsidy of his federal income, capital gains, estate, and gift taxes could reach as high as 74 cents for each dollar he has given to charity.

Case Study: Elon Musk's Gifts of Stock

In 2021, Twitter and Tesla CEO Elon Musk sold 15.7 million shares of Tesla stock for more than $16 billion. These stock sales racked up a potential tax bill of $10.7 billion for Musk.

That same year, however, Musk also donated $5.7 billion in Tesla shares to his own Musk Foundation. And this gift bestowed on Musk two forms of timely tax relief.

Direct income tax relief: Musk was likely able to deduct a good portion of his charitable stock donation from his personal income taxes. According to an analysis by DonateStock's Steve Latham in Bloomberg Tax, assuming that Musk fell into the highest federal and state tax brackets, he would have been able to deduct about $2.81 billion of his gift from his income tax.

Indirect capital gains tax relief: Musk would also have been able to use his donation to avoid capital gains taxes as well. According to Latham's analysis, by donating the stock, Musk likely avoided roughly $1.77 in combined federal and state capital gains taxes that he would have had to pay if he sold it instead.

Individuals are allowed to deduct the fair market value of any non-cash gifts they make to charity up to 30 percent of their adjusted gross income. As Latham points out, together, **the direct and indirect tax benefits of Musk's $5.7 billion charitable donation amounted to about $4.6 billion** — or almost exactly 30 percent of his adjusted gross income for the year.

Musk's tax-reducing use of charity exposes just how opaque charitable giving by the nation's wealthiest can be, and how important it is that we have higher standards for its reporting. Musk very definitely wanted the world to know about his tax bill, and tweeted about it publicly. But he was less forthcoming about the charitable donation he used to lower that bill: the donation was only discovered by reporters digging through mandatory SEC filings, not through any public announcement by Musk.

The largest of these sponsors, Fidelity Charitable, wrote in their *2023 Giving Report* that 57 percent of the contributions they received in 2022 were non-cash assets. This would amount to $8.6 billion of the $15 billion in total contributions they received that year, according to their 2022 financial summary. (According to Fidelity's 2022 tax return, contributions of non-publicly-traded complex assets alone added up to more than $1 billion of the total.)

We do not know what portion of that $8.6 billion in non-cash contributions represents taxable capital gains. If we estimated very roughly that capital gains made up a quarter of the total, and that those gains would have been taxed at a conservative 15 percent — the lowest of the current capital gains tax rates based on income — if they had been sold instead, that would have resulted in $321 million in tax reductions for donors to Fidelity Charitable alone.

Fidelity is, of course, not the only fish in the charitable sea. If we add to their numbers all of the other DAF sponsors, private foundations, and independent charities in the country that are able to take donations of non-cash assets, it becomes clear that the donation of appreciated assets results in a great deal of capital gains revenue lost to societal coffers. Being able to determine the scale of this loss is crucial to accurately judging the impact of tax reductions on U.S. charities and on the U.S. public.

3. Direct costs from charitable estate and gift tax deductions

For people with very large estates in the multiple millions of dollars, gifts over a certain amount that they give to another person during their lifetime may be subject to gift taxes, and bequests that they leave to their heirs may be subject to estate taxes. The IRS treats these gift and estate taxes under a "unified rate schedule," meaning that gifts and bequests are considered together when determining how much in taxes an estate will have to pay.

Estimating the cost of charitable deductions related to estate and gift taxes has become more difficult in recent years because of executive changes to reporting requirements.

From 1994 to 2002, the Internal Revenue Service reported on the annual revenue costs of the estate and gift tax as part of the national budget. But starting with the 2003 budget, during the George W. Bush presidency, those estimates were dropped. According to the authors of the 2003 budget, this was because there was "no generally accepted normal baseline for transfer taxes."

The U.S. Treasury Department temporarily attempted to resurrect these estimates several years later. In a one-time analysis, the Treasury determined that in 2014, the revenue lost due to charitable bequests was $6.5 billion, and that the revenue lost due to the tax-exclusive nature of the gift tax was $600 million, for a total cost of $7.1 billion. There have been no subsequent governmental estimates of this sort.

We can use the Treasury's most recent estimate to get a very conservative, back-of-the-envelope idea of current revenue losses related to estate and gift tax deductions. According to *Giving USA*, $32.18 billion was donated in bequests from estates in 2014. The $7.1 billion in revenue costs that the Treasury estimated in 2014 related to the unified estate and gift tax represents 22 percent of the total bequeathed that year.

If we applied this same percentage to the amount donated by bequest in 2022 — $45.6 billion — it would result in revenue costs of $10.1 billion.

However, this $10.1 billion is assuredly an extreme undercount of the true costs. In 2018, the Tax Cuts and Jobs Act, or TCJA, more than doubled the estate tax exemption, raising it from $5.5 million to $11.2 million for individuals that year, and maintaining that new exemption level (adjusted for inflation) until 2025. This undoubtedly dramatically increased the taxpayer subsidy related to the estate and gift tax for 2018 and every year thereafter. We have no way of knowing the true cost of this component, but it was **likely well in excess of $20 billion** — double the amount estimated using pre-TCJA tax rates — in 2022.

Case Study: Leonard Lauder's Cubist Art Collection

Billionaire Leonard Lauder is the son of Estée Lauder and is one of only two heirs to her immense fortune. In 2013, he donated his collection of 78 Cubist paintings, drawings, and sculptures to the Metropolitan Museum of Art in New York City. At the time, estimates of the value of the collection ranged from $1 billion (as reported by the *New York Times*) to $2 billion (as reported by ABC News). We have no way of knowing for certain how big Lauder's tax deduction was that year, or by how much it reduced his personal income taxes, but we can come up with a ballpark approximation.

Lauder was worth an estimated $9.61 billion at the end of 2013. That year, the dividend yield of the stock market — the average dividend paid out by companies as a percentage of their share price — was 1.89 percent. If Lauder's portfolio simply followed the market averages, it means he would have earned dividend income of $182 million in 2013.

Investment income of $182 million would ordinarily have resulted in roughly $72 million in federal income taxes at the top 2013 tax rate for single filers. But Lauder would have been able to use a portion of his charitable deduction to offset up to 30 percent of his income, reducing his taxable income to $127 million and his federal tax obligation to just $50 million. This would have given Lauder a tax savings of $22 million in 2013. And he would have been able to carry the remainder of his deductions forward to receive similar tax savings for the next five years.

Allowing charitable deductions for donated complex assets raises unique questions because of the uncertain nature of their value; indeed, the billion-dollar range in estimates of Lauder's Cubist collection exposes the difficulty of setting a price on assets like these. Even the world's most expert appraisers may assess property at a significantly inflated value, allowing donors to claim a large deduction for an asset which may be actually sold by the charity for a lot less.

4. Revenue lost due to non-taxation of capital gains when individuals bequeath appreciated assets instead of cash

There is one more unknown taxpayer subsidy to add to this picture. As is the case with charitable giving, wealthy asset holders often give bequests in the form of appreciated property rather than cash. The estate thus avoids paying capital gains taxes on those assets—resulting in undoubtedly sizable revenue costs to the U.S. taxpayer. We know of no current reporting that estimates the costs of this form of tax reduction.

Charity-Related Revenue Costs Related to Corporations

1. **Direct costs from charitable corporate tax deductions**

   The Treasury Department tax expenditure reports referenced above also list the costs of charitable deductions taken by U.S. corporations each year. They show that the revenue cost of the charitable deductions claimed by corporations amounted to **$6.77 billion** in 2022.

2. **Revenue lost due to non-taxation of capital gains when corporations donate appreciated assets rather than cash**

   Corporations, like individuals, incur capital gains when they sell appreciated assets. But corporations do not have a reduced capital gains tax rate like individuals do; for corporations, capital gains are added into the rest of their profits, and are taxed at the same rate as income.

   So corporations arguably have even more of a financial incentive to donate appreciated assets to charity than individuals do. And there is no doubt that corporations donate large amounts to charity in the form of appreciated assets; appreciated shares of company stock would be most easy to come by. However, as with individual giving, there is no solid source for estimate of how much this type of lost revenue adds up to each year.

Charity-Related Lost Revenue Related to Nonprofits

1. **Revenue cost of non-taxation of investment transactions at nonprofits**

   Private foundations, donor-advised funds, endowments, and working charities store their assets in bank accounts, just as individuals and corporations do. And nonprofit asset portfolios are made up of the same asset types used by individuals and corporations, including stocks, bonds, real estate, and other non-cash assets.

   When assets in the portfolios of individuals or corporations go up in value and are sold, that sale incurs a capital gain, which is then taxed, as with any other ordinary financial transaction. But when assets in the portfolios of tax-exempt organizations such as foundations, DAFs, and working charities go up in value and are sold, those organizations do not have to pay taxes on any capital gain they might incur. Nonprofit organizations are also exempt from taxes on other forms of income that individuals and corporations would have to pay, including investment income, royalties, and rent on real estate.

Although private foundations, DAFs, and charities do have to report their capital gains and other portfolio income on their tax returns, there is no source for comprehensive estimates on how much of a loss in tax revenue these transactions represent. Thus this is yet another piece of forgone revenue for the U.S. taxpayer for which we have no official measurement.

We can get at least a rough idea of the scale of this lost revenue from an estimation method used in previous years by the Congressional Research Service (CRS). According to IRS data, charities had $43.9 billion in investment income, $61.3 billion in net capital gains (mostly from the sale of securities), $4.2 billion in net rental income, and $3.5 billion in royalties in 2019 (the most recent year available). If this $112.9 billion in nonprofit investment income had been taxed at the current 21 percent corporate tax rate, it would have resulted in $24.8 billion in tax revenue that year—revenue lost to the taxpayer because of the charitable exemption.

There are obviously many caveats to this estimate. It is from 2019, and the portfolios of most charities have undoubtedly grown in the years since then. In addition, the IRS data does not include religious organizations, which, according to *Giving USA*, received 29 percent of all charitable giving in the U.S in 2022. If we were able to include both these factors in our estimates, it would likely far surpass **$24.8 billion**.

What We Don't Know — But Should

Unfortunately, in the end, we know far too little about the taxpayer subsidy for charitable giving. We can estimate the costs of the charitable deductions taken by both individuals and corporations. There is at least precedent for estimating the costs of charitable giving related to the estate and gift tax, but those costs are no longer calculated due to changes in reporting requirements at the federal level. And there is no comprehensive, reliable source for estimates of how much revenue is lost due to non-taxation of capital gains when individuals and corporations give appreciated assets to charity, or non-taxation of income that charities themselves generate from their assets.

U.S. taxpayers deserve to know the missing pieces of this puzzle. They have no other way of knowing whether they are getting a proper return on the charitable deductions they subsidize.

What We Can Do

Why We Need Charity Reform

Like the Giving Pledge, there are a number of voluntary efforts to increase foundation and DAF payout in the face of urgent needs. These include ***Half My DAF***, started by Jen and David Risher, and the ***Crisis Charitable Commitment***, started by Alan Davis. We urge people with foundations and DAFs to sign on to these efforts. But voluntary efforts need to be bolstered by legislative fixes.

The last time Congress overhauled the legal framework for the philanthropic sector was in 1969, when wealth was considerably less concentrated than it is now. This framework provided important tax-reduction incentives to encourage timely giving to charity — but it also created the loophole that allowed for the commercial exploitation of donor-advised funds. It is time to modernize the rules governing philanthropy to:

- Promote a robust independent nonprofit sector outside of individual, political, and corporate influence.
- Prevent abuses of the tax system by philanthropy primarily used for aggressive tax avoidance or as a means to maintain control over donated dollars.
- Protect democracy and public society from the undue influence of private wealth and power.

To further these larger goals, the rules governing philanthropy should be overhauled to maximize the public good in these ways:

- Discourage the warehousing of charitable wealth by ensuring the timely flow of funds out of charitable giving vehicles for the public benefit.
- Implement governance mechanisms to align tax deductions with the public interest and to protect the integrity of our tax system.
- Encourage broad-based giving across all segments of society, particularly by the non-wealthy.

Key Charity Reforms

Below, we list the most important reforms we can make now to accomplish these goals. For a more detailed description of actions that can be taken to reform U.S. charitable giving, please see our full list of policy recommendations at the IPS Charity Reform Initiative.

Reforms to Donor-Advised Funds

- **Require a payout for donor-advised funds.** We recommend that DAFs should be required to pay out all donations within five years after donations have gone into the fund, including any income earned on the original donations during that time.

- **Increase DAF transparency and reporting. Donations to and from DAFs, as well as payout rates, should be publicly disclosed and reported on an account-by-account basis.** To meet the IRS's public support test, which ensures that charitable organizations are broadly-supported, grants from donor-advised funds should also be attributed to the individual donor that received a tax reduction and not to the sponsoring organization. This could be done in such a way as to protect anonymous givers.

Reforms to Private Foundations

- **Increase the annual foundation payout requirement.** Foundations currently only have to distribute a minimum of 5 percent of their asset value to charity each year. We propose increasing the requirement to 10 percent of assets for foundations with assets over $50 million and 7 percent for all other foundations.

- Reform foundation payout exclusions. Fixes should include:

    - **Capping administrative overhead over one percent of assets from counting towards payout.** This would reduce incentives for exorbitant internal spending on salaries, travel, and accommodations for board members; internal programs; and other administrative costs—and would move more funds to active charities.

    - **Prohibiting grants to DAFs from qualifying toward the payout requirement unless the DAF funds are granted back out to working charities within one year.** This mirrors a provision currently included in President Biden's 2023 budget proposal.

    - **Closing loopholes that allow program-related and impact investments to be considered part of the payout allocation.** Using tax-advantaged vehicles such as foundations for socially-oriented investing may have public benefits, but these activities undermine the principle of moving funds out of donor dominion in a timely way. In other words, no form of investment should be considered a charitable gift. Such activities can be continued, and even encouraged, but should not count toward the qualified payout distribution.

    - **Require foundation board independence.** If a private foundation is truly a public interest organization, it should not have a board composed entirely of family members and paid staff. Foundations should have independent boards with rules similar to those governing public corporation boards in many states.

- **Impose a ban on compensating family member trustees.** To eliminate the potential for self-dealing, there should be an outright ban on compensation to founders and their family members for their services to the foundation.

Reforms to Reverse Top-Heavy Philanthropy

- **Establish a lifetime cap on charitable gift deductions.** Currently, we allow unlimited tax reductions to donors who have private foundations. A lifetime cap of $500 million would not discourage billionaires whose giving is genuinely motivated by generosity — but it would prevent donors from using charitable giving to reduce their taxes to zero indefinitely.

- **Levy a wealth tax on DAFs and closely-held private foundations.** A wealth tax, such as Senator Elizabeth Warren's proposal to levy a 2 percent annual tax on wealth over $50 million, should also apply both to donor-advised funds and to private foundations that are closely controlled by donors. This would encourage the transfer of charitable funds to nonprofits, public foundations, and community foundations' general funds that wealthy donors do not control.

- **Create a new oversight system for foundations and charities.** The offices of state attorneys general typically have small charity divisions with few resources devoted to oversight and are ill-equipped to oversee charities registered in their states. Excise tax revenue from foundations could fund a new independent watchdog organization, removing that responsibility from the IRS. This new regulatory body would have broad authority not only to support the nonprofit sector and increase its effectiveness, but also to hold it accountable. And because data transparency is essential to proper governance of the sector, this new oversight body could take over the IRS's existing authority and responsibility for the collection, standardization, and online hosting of charitable tax returns and to continue to provide them at no charge to the public.

Sources and Methodology

Giving Pledger Data

Individual Pledger net worth is from Forbes' World's Real-Time Billionaire List.

The Pledgers' ascertainable lifetime giving to charity is pulled primarily from the following sources:

- Wealth-X, a searchable database of high-net-worth individuals, including their charitable giving
- How Much U.S. Giving Pledge Members Donate to Their Foundations, a searchable list put together by the Chronicle of Philanthropy in 2019
- Our own analysis of foundation tax returns not covered in the scope of the Chronicle's list, available from the IRS and ProPublica's Nonprofit Explorer
- The Philanthropy 50, the Chronicle of Philanthropy's annual ranking of the nation's top donors
- Big Charitable Gifts, the Chronicle of Philanthropy's database of gifts of $1 million or more.
- Forbes' annual rankings of the nation's top 25 philanthropists
- Forbes' Philanthropy Scores

DAF Data

DAF-to-DAF Grants

All tax-exempt nonprofit organizations in the U.S., including donor-advised funds, that earn more than $50,000 per year must file either a 990 or 990-EZ tax form annually. Organizations with total assets of $10 million or more that file at least 250 returns per year (including employee W2s) must file these forms electronically. This latter category includes most of the largest national DAF sponsors in the country.

Unless otherwise noted, all of the granting information in this paper is based on an Institute for Policy Studies analysis of the tax filings of the largest national DAF sponsors that filed electronically for the tax years from 2017 to 2021. These are the most recent five years currently available for most of these DAFs.

For our analysis, we compiled a list of the top 54 national DAF sponsors in terms of total DAF assets as of 2021, based on DAF assets as reported in the organization's tax returns (Schedule D, Line 4, column (a)). We pulled the publicly available tax returns for the 47 of these sponsors that had filed electronically for the tax years in our analysis. We then matched the full list of national

DAF sponsors to the recipients of contributions on the tax returns of these 47 DAF sponsors using the sponsor's unique Employer Identification Number (EIN).

All grants described in this analysis are cash grants only.

Below is a full list of the commercial DAFs that we searched for. Sponsors in bold filed electronically in at least one year from 2017 to 2021.

National DAFs Identified in this Analysis

Advisors Charitable Gift Fund
Amalgamated Charitable Foundation
American Endowment Foundation
American Gift Fund
American Online Giving Foundation
AMGCharitable Gift Foundation
AYCO Charitable Foundation
Bank Of America Charitable Gift Fund
Bessemer National Gift Fund
BNY Mellon Charitable Gift Fund
Charities Aid Foundation America
Dechomai Asset Trust
Dechomai Foundation
Donatewell
Donors Capital Fund
Donors Trust
Fidelity Investments Charitable Gift Fund
FJC
Fund For Charitable Giving
Give Back Foundation
Goldman Sachs Charitable Gift Fund
Goldman Sachs Philanthropy Fund
Greater Horizons
Harris MYCFO Foundation
Hills Bank Donor Advised Gift Fund
Impact Investing Charitable Foundation
ImpactAssets
Jasper Ridge Charitable Fund
Johnson Charitable Gift Fund
JustGive
MightyCause Charitable Foundation
Morgan Stanley Global Impact Funding Trust
National Philanthropic Trust
NCF Charitable Trust
NEMA Foundation
Network For Good
NPT Charitable Asset Trust
NPX Charitable
Philanthropic Ventures Foundation
R S F Global Community Fund
Raymond James Charitable Endowment
Renaissance Charitable Foundation
Rudolf Steiner Foundation
Schwab Charitable Fund
Servant Foundation
T Rowe Price Program For Charitable Giving
The American Center For Philanthropy
The Fuller Foundation
The US Charitable Gift Trust
TIAA Charitable
Tides Foundation
United Charitable
Univest Foundation
Vanguard Charitable Endowment Program

Foundation Data

All private foundations in the U.S. must file an annual tax form called the 990PF. All of these private foundation tax forms are available to the public.

Unless otherwise noted, our analysis of foundation payout and grant information in this paper is based on the tax filings of private foundations that filed electronically for tax years from 2017 to 2021. These are the most recent five years currently available for most foundations.

Prior to 2020, roughly two-thirds percent of all private foundations filed their tax returns electronically each year, including all large foundations that filed more than 250 returns (including employee W2s). Thanks to a new reporting requirement, all foundation tax returns are required to be filed electronically starting in 2020. The grants we found represent about 65 percent of all foundation filings up through 2019, and closer to 95 percent of the foundation filings in 2020 and 2021.

Foundation Payout

For foundation payout rates prior to 2020, we used the following formula to match the formula used by the IRS at that time for excise tax purposes:

- **Qualifying Distributions** (Part XII, Line 6)
- Divided by **Net Value of Noncharitable-Use Assets** (Part X, Line 5)

For foundation payout rates in 2020 and later, we used the following formula to match the formula currently used by the IRS for excise tax purposes:

- **Qualifying Distributions** (Part XI, Line 4)
- Divided by **Net Value of Noncharitable-Use Assets** (Part IX, Line 5)

Foundation-to-DAF Grants

For our analysis of foundation grants to DAFs, we searched the grants reported by all electronically-filing private foundations in the U.S. for a list of 54 commercially-sponsored donor-advised funds (DAFs), for the five tax years in our analysis. Since foundations are not required to report the Employer Identification Number (EIN) for their grant recipients, we had to search for specific DAF names in the lists of foundation grants. This means that the grants we found are most likely an undercount, since we may not have discovered all the various abbreviations and misspellings used for DAF recipient names in the foundations' tax returns.

A full list of the DAFs that we searched for is listed in the DAF methodology section above.

General Trustee Compensation

Unless otherwise noted, all of the information in this paper is based on our analysis of the tax filings of all private foundations that filed electronically during the 2021 tax year. This was the most recent year available from the IRS at the time we performed our analysis.

To the greatest extent possible, we have replicated the data methodologies used in the 2003 study by the Center for Public & Nonprofit Leadership (CPNL) and the 2005 study by the National Coalition for Responsive Philanthropy (NCRP). As in those studies, the metrics used in this paper come from the IRS tax form 990-PF as follows:

- **Year-end assets** are from Part II, Line 16, Column (c) (Total Assets, End of Year, Fair Market Value).
- **Charitable grants** are from Part I, Line 25, Column (a) (Contributions, Gifts, Grants Paid as expenses per books).
- **Total administrative expenses** are from Part I, Line 24, Column (a) (Total operating and administrative expenses as expenses per books).
- When evaluating **trustee compensation as a percent of expenses**, the trustee compensation amount is from Part I, Line 13, column (a) (Compensation of officers, directors, trustees, etc. as expenses per books). This ensures an apples-to-apples comparison of reported compensation to reported expenses, regardless of the accounting method used by each individual foundation.
- When evaluating **total compensation paid to individual trustees**, the trustee compensation amount is the total of columns (c) compensation paid, (d) deferred compensation, and (e) other allowances from Part VII, Line 1. This provides a full picture of the extent to which the foundation rewarded the trustee in a given year in the form of outright pay, benefits, deferred compensation, and/or expense accounts — whether or not those amounts are reflected on the organization's financial accounting in that year.
- The **number of trustees** is the count of individual trustees listed in Part VII, Section 1.

We have not included exempt operating foundations as described in section 4940(d)(2) in our analysis.

Dynastically Wealthy Trustee Compensation

Identification of dynastically wealthy trustees is from *Silver Spoon Oligarchs*, an Institute for Policy Studies analysis of the family members of the Forbes top 50 dynastically wealthy families in the U.S.

This analysis used the Wealth-X data research site to identify private foundations that have been established and governed by family members of the dynastically wealthy families listed in Forbes.

We then verified foundation governance and determined total board compensation to family members using the foundations' publicly available IRS tax form 990-PFs from ProPublica, CauseIQ, and Open990.org. Trustee compensation was the total of the compensation amounts listed in Part VIII, Line 1 of the 990-PF.