Charitable Giving by State: 
New Methods and Measures for Geographic Giving Relative to Income

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Introduction

In its October 8, 2014 issue The Chronicle of Philanthropy presented the results of its How America Gives study of charitable giving relative to income entitled, “The Changing Landscape of Giving.” Its findings were widely cited, especially because its findings were based on IRS data and were available by zip code, county, and state.

This paper (1) appraises The Chronicle of Philanthropy’s widely disseminated and reported indices ranking states on their relative level of charitable giving, and (2) presents a different set of rankings based on a more valid research methodology, what we call the CWP (Center on Wealth and Philanthropy) Index. Our more precise methods raise important questions for the community of nonprofit scholars about the validity of The Chronicle’s widely disseminated and widely quoted November 2014 study that concluded in part that red states being more “generous” than blue states.

Deficiencies of How America Gives

We address the deficiencies of How America Gives because it led to widespread misinformation about the greater relative charitable giving of red states and to subsequent misguided interpretations of what that finding means (as exemplified below in the quotation from The American Interest).

When How America Gives was published, The Chronicle’s website plugged its impact:

“Covered by national media such as NPR, CNN, and Washington Post, How America Gives has become widely known as an essential resource on giving patterns across America every year.

Download a copy of the report everyone’s talking about, where you can:

- Learn about the surprising giving patterns across the country by income level.
- Discover the biggest changes in giving by metro area and state.
• Receive expert insight on how to improve efforts in communities with lower
giving records”

Make sure you’ve got the actionable data you need to benchmark giving and
develop smarter strategies for cultivating donors at your organization.”

The problem is that when it came to its study on “giving patterns [of states] . . . by
income level,” The Chronicle was not just mistaken, but its study led to outlets cited by
The Chronicle and even columnist George Will—in addition to many others-- picking up
these enticing, but mistaken findings, propelling them into the public lore, and leaving
our field with one more widespread and hard-to-eradicate fiction.

For instance, The American Interest (http://www.the-american-
interest.com/2014/10/08/red-states-outpace-blue-states-in-charitable-giving/)
wrote:

The correlation between the generosity of conservative and southern
states and their higher degrees of religiosity is perhaps not
surprising. That conservatives tend to give more—and that their
level of giving is probably related to their religious beliefs—was the
thesis of Who Really Cares, the 2007 book on the giving gap by
Arthur C. Brooks, now of AEI [and a New York Times columnist].
Yet it’s heartening to learn that the charitable inclinations of the
faithful (and the conservative) don’t fade when the going gets tough;
the giving gap seems to have persisted through the recession.

A generous civil society has always characterized America in her
best moments, and churches have usually been foremost in the
constellation of charitable non-state institutions. In light of that, the
increasingly cultural alienation from these institutions is troubling—
as is the outright destruction of them we sometimes see.

We counseled The Chronicle about the limitations of its proposed, implemented, and
revised methodology for calculating its state index. But ultimately in revising its index it
heeded only one of our recommendations. In our January 2015 letter to the editor, we
complemented The Chronicle for revising the index but pointed out its remaining
shortcomings. In response, The Chronicle said that “Adjusting the data to follow the
advice from Mr. Schervish and Mr. Havens did not lead to any major changes in state or
city rankings, and we have noted the small changes in each article on our site.” Had it
heeded our advice, there would have been “major changers in state . . . rankings.”

Comparing the CWP and Chronicle Indices
In calculating our index for calendar 2012 (the most recent presidential election and the year of most recent tax data), we adjust gross income for taxes and cost of living specific to each state so as to produce a more accurate measure for geographic comparisons. We also measure all charitable giving in a state and not just giving by itemizers. In doing so we demonstrate how using more precise methodology has stunning implications for research validity, for the veracity of the conclusions we impart to the public, and for discovering knowledge instead of generating headlines.

State level analysis of charitable giving often employs the state ratio of household giving to household income as a measure of giving for the state. A single ratio cannot adequately capture the complexity of individual charitable giving. Nor can similar aggregate ratios adequately capture the motivation and behavior of the population of a state. At most the ratio of giving to income is one of many possible imperfect descriptive measures of giving relative to capacity to give among state populations. Finally, a ratio of formal charitable giving is not a ratio of generosity. Generosity is a personal virtue that is exercised in all aspects of life. Formal charitable giving is but one aspect of generosity and should not be equated with the term.

*Inadequacies of The Chronicle Index*

The study noted that its estimates were restricted to tax filers who itemized their tax returns. Thus their ratio of giving to income was a ratio of the aggregate itemized deductions by tax itemizers divided by aggregate adjusted gross income of tax itemizers. However, the proportion of the population and also the proportion of tax filers that itemize their returns vary markedly by state (in 2012 only 17% of households itemized in West Virginia compared with 59% in Maryland). There is something of apples to oranges comparison embedded in the study.

In addition, the state estimates from the original published study were derived by aggregating charitable deductions and adjusted gross income from zip code areas within each state. The problem with this method is that the IRS censors the zip code data, removing filers who might be identified by their levels of income and charitable giving. The censored filers are mostly at the high-income levels. Thus in 2012, the zip code data failed to reflect about 20 percent of the charitable giving, mostly done by high income filers. Studies of charitable giving based on IRS zip code data necessarily underestimate the amount of giving by high-income donors. *The Chronicle* revised their ratios subsequent to the initial publication. However, the published values continued to be widely cited by analysts and the media.

*The CWP Index*

Even if *The Chronicle*'s giving ratios were more accurately calculated, they neglect two important factors that affect the capacity of households in different geographic area to
contribute to philanthropy: taxes and cost of living. There are large variations in each of these factors by geographic location.

Table 1 indicates that in 2012 taxes as a proportion of gross income varied from 21% in New Mexico to 40% in New York. On average it would take about 33% more gross income in New York as compared with New Mexico to result in the same level of after-tax income.

Table 2 similarly indicates that in 2012 the cost of living varied from 83% of the national average in Arkansas to 137% in New York. Thus on average it would take about 65% more after-tax income in New York as compared with Arkansas to support approximately the same standard of living.

Periodically during the past decade the Center on Wealth and Philanthropy at Boston College has calculated the values of three ratios of giving relative to income for households in each state. All these values are based on charitable giving and income for all households in each state rather than just tax filers who itemize. The data are mostly from federal sources, although they also include the Center on Philanthropy Panel Study data (i.e. COPPS), and the Council for Community and Economic Research cost of living data.

The first of the three ratios measures aggregate charitable giving for the population of the state as a ratio of the total gross income of that population. The specific ratio is the percentage of national aggregate charitable giving in the state divided by the percentage of national gross income in the state.

The second of the three ratios is based on after-tax income. Our definition of taxes consists of federal, state, and local income taxes, Social Security and required retirement taxes, Medicare taxes, property taxes, and sales taxes. The specific ratio is the percentage of national aggregate charitable giving in the state divided by the percentage of national after-tax income in the state.

The third of the three ratios is based on after-tax income adjusted for the cost of living. The cost of living adjustment is based on data from the Council for Community and Economic Research. The specific ratio is the percentage of national aggregate charitable giving in the state divided by the percentage of national after-tax-income expressed in purchasing power in the state.

Table 3 presents the results of these calculations for calendar 2012 and Table 4 presents the results for 2008. We note that in 2012 Wyoming ranked first on all three measures. This is due to a high average amount of charitable giving ($16.42 thousand per household) that is itself due to very high levels of giving among households with $1 million or more in adjusted gross income.

There are major differences among the three measures. For example, Hawaii’s ranking changes from 43 on the first measure to 11 on the third measure (taking account of taxes.
and adjusted for cost of living). Similarly, New York changes from 12 to 2. So taxes and cost of living changes the rankings by substantial amounts for some states.

Tables 3 (and 4) also contain *The Chronicle* of Philanthropy ranking of the states based on the original published analysis and the revised unpublished analysis. We note that these rankings differ (often substantially) from the CWP index that adjusts for taxes and cost of living.

*Red and Blue State Analysis*

The giving ratio from *The Chronicle* study has been compared with presidential voting behavior to conclude that red states (that voted for the Republican candidate) tended to give greater proportions of their income to charity as compared to blue states. Our measure indicates that the relationship between voting behavior and giving relative to after-tax income adjusted for cost of living is much weaker than implied by the unadjusted ratios. Taxes and cost of living make a big difference. As a result we find that giving relative to financial capacity appears only weakly related to political orientation.

Table 5 compares the voting behavior of each state in 2012 with both *The Chronicle* revised giving ratio and with the CWP index. We note that the relationship with *The Chronicle* study measure is strong but attenuated once taxes and cost of living are taken into account. Table 6 presents the similar data and similar results in 2008 again based on the relevant Chronicle study and the relevant CWP index for 2008.

Thus states with high taxes and high cost of living tend to give roughly the same proportions to charity once the taxes and cost of living are taken into account. This is a striking finding. In several of our articles we have indicated that propensity for caring behavior tends to be distributed roughly the same throughout the population once income, wealth, and religious observance have been taken into account.

Political orientation may be less important than it has been portrayed. When it comes to charitable giving, the overall state index is neither red nor blue, it is purple.

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