
THE CHARITABLE TAX DEDUCTION AND CIVIC ENGAGEMENT

Andrew Hayashi^{*}
Justin J. Hopkins^{**}

In an era characterized by polarization, economic inequality, and the disintegration of local communities, the income tax deduction for charitable contributions appears to abet some of our worst social ills because it incentivizes the wealthy to steer public funds to their preferred charities and subsidizes their donations. We argue that tax subsidies for charitable giving can be refocused to mitigate, rather than exacerbate, these problems. Previous assessments of the charitable deduction have ignored an essential benefit of financial giving: its effect on the donor. Financial giving increases volunteerism, and we report new survey evidence that volunteerism leads to broader civic and political engagement with people of different politics, cultures, races, and ethnicities. Moreover, people tend to under-value community life relative to market commodities, so a tax incentive that steers people toward greater engagement can help ameliorate social alienation, isolation, and distrust. Since civic engagement, volunteerism, and financial donations are unequally distributed, we propose a new refundable tax credit targeting low- and middle-income households. The credit would create a new donor class, repositioning low- and middle-income households as charitable donors as well as clients, refocusing the priorities of the nonprofit sector, and creating a gateway to volunteerism, stronger community membership, and broader civic participation.

^{*} Professor of Law at the University of Virginia School of Law and McDonald Distinguished Fellow at the Center for the Study of Law and Religion at Emory University.

^{**} J. Harvie Wilkinson Jr. Associate Professor of Business Administration, Darden School of Business. We thank Ellen Aprill, Brian Galle, Phil Hackney, Ariel Jurow Kleiman, Bob Lawless, Shelly Layser, Leigh Osofsky, Katie Pratt, Tracey Roberts, Richard Ross, Kathleen Thomas, Clint Wallace, seminar participants at the University of Illinois School of Law, the Michigan-USC-Virginia virtual law and economics workshop, and the Virginia Tax Invitational Conference for helpful comments. We are deeply grateful to Kristin Glover and Kate Boudouris of the UVA Law Library, and Gregory Stephens and Aziz Rashidzada for research assistance.

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I. INTRODUCTION

Some of the most pressing social and legal issues of our time include income and political inequality, political polarization, and geographic segregation by race and class. But that is not all. Civil society is on life support. We interact with distant others through anonymous marketplaces and social media platforms but don't know our own neighbors. The intermediating institutions that create meaningful communities and counterbalance the power of the marketplace—clubs, unions, religious communities, neighborhood organizations, charities, and so on—are in decline.¹ The symptoms of this decline, some scholars say, are all

1. See generally ROBERT D. PUTNAM, *BOWLING ALONE: THE COLLAPSE AND REVIVAL OF AMERICAN COMMUNITY* (2000) (describing decline in social capital and decline in trust); PATRICK J. DENEEN, *WHY LIBERALISM FAILED* (2019).

around us, manifested in deep distrust between citizens and a heightened sense of isolation and alienation.²

In this context, the fate of the federal income tax deduction for charitable contributions—a feature of federal income tax law from the very beginning—is precarious.³ It's not hard to see why. The deduction for charitable contributions is a \$40 billion tax benefit that primarily benefits the highest income-households and allows them to steer public dollars towards their preferred charities—exacerbating inequalities in income and in influence over the nonprofit sector.⁴ Because the primary tax incentive for charitable giving is a tax deduction,⁵ it confers a greater benefit on households in higher tax brackets and is only available to wealthier citizens who itemize deductions.⁶ For these reasons, Presidents Obama, Trump, and Biden have all proposed limiting the charitable deduction.⁷

So, what should be done about a tax law that favors the wealthy and their preferred charities but simultaneously appears unable to slow the decline of voluntary associations, many of which are nonprofits?⁸ We think that a robust nonprofit sector is critical, but current tax incentives for charitable giving to nonprofits are misdirected. Tax incentives for giving to charities and civic organizations can do more than support the provision of goods and services that the state or market will not provide—they can engage broad swaths of the community in the work of that provision by creating a gateway to volunteerism, stronger community membership, and wider civic participation.⁹ But the deduction for charitable giving does not do a good job of realizing these benefits.

In this Article, we reconsider the federal income tax deduction for charitable contributions in light of its effects on the donor, community building, and civic engagement. This is a new perspective on the charitable deduction. Scholarly appraisals of the charitable contribution deduction have focused on traditional tax policy criteria, asking questions such as: Is the deduction necessary to measure income correctly?¹⁰ What are the efficiency effects of the deduction?¹¹

2. Lee Rainie & Andrew Perrin, *Key Findings About Americans' Declining Trust in Government and Each Other*, PEW RSCH. CTR. (July 22, 2019), <https://www.pewresearch.org/fact-tank/2019/07/22/key-findings-about-americans-declining-trust-in-government-and-each-other/> [https://perma.cc/E7EY-YP62].

3. See I.R.C. § 170.

4. See Murray L. Weidenbaum, *Advantages of Credits on the Personal Income Tax*, 42 GEO. WASH. L. REV. 516, 517 (1974) (“[T]axpayers in the upper and upper-middle tax brackets receive the bulk of the subsidy implicit in the present deduction system.”).

5. I.R.C. § 170.

6. Weidenbaum, *supra* note 4 at 516.

7. Tom Anderson, *Tax Reform Could Reduce Charitable Giving by up to \$13 Billion per Year*, CNBC (May 22, 2017, 11:56 AM), <https://www.cnbc.com/2017/05/22/tax-reform-could-reduce-charitable-giving-by-up-to-13-billion-per-year.html> [https://perma.cc/EKK9-J9EN]; *NPOs Mobilizing To Blunt Tax Deduction Cap Plan*, NONPROFIT TIMES (April 5, 2021), <https://www.thenonprofitimes.com/regulation/npos-mobilizing-to-blunt-tax-deduction-cap-plan/> [https://perma.cc/JK2Z-SY7M].

8. For example, clubs, unions, religious and neighborhood organizations, and charities are all generally tax-exempt. I.R.C. § 501(c).

9. See discussion *infra* Section III.C.

10. See discussion *infra* Section III.B.

11. *Id.*

Who benefits from the deduction, and are the distributional effects desirable?¹² What administrative challenges does the deduction raise, and are the benefits of the deduction worth these costs?¹³

But if financial giving leads to greater political and civic participation—and we show new evidence that it does—then the stakes for the charitable contribution deduction are much greater than the fairness and efficiency of the federal income tax. The tax incentives for charitable giving may influence the representativeness of our politics, the balance of power between the state, the market, and the institutions of civil society, the opportunities for relationships among individuals of different races and classes, and the spirit of cooperation and public mindedness that is necessary for the flourishing of the republic.

This is a lot to expect from our tax treatment of charitable contributions. We do not argue that charitable giving is a panacea to the politics of division and the decline of social trust. Neither do we dismiss the traditional concerns with the charitable contribution deduction, particularly its distributional effects. But we propose reorienting the discussion of charitable giving to consider the impact of those gifts on the *donors*, including their willingness and likelihood to engage in social, civic, and political life.¹⁴ Empirical evidence indicates that charitable giving is related to increased volunteerism, and we report new evidence from both the U.S. Census and from an original national survey conducted for the purpose of this Article that suggests causal connections between financial giving, volunteerism, community membership, and other forms of civic and political engagement.¹⁵ We argue that increasing this engagement is an appropriate goal for federal income tax law, but achieving it requires revamping the income tax incentives for charitable giving.

Toward this end, we propose the Community Contribution Credit, a refundable tax credit aimed at low- and middle-income households. By putting the power to donate in the hands of these households, the credit turns them from clients of nonprofits to donors. This empowers them to exert influence over the nonprofit sector's priorities, to bring valuable expertise to the sector, and enables them to share in the respect and dignity that donors typically receive. Moreover, because financial giving leads to volunteering, which—as we show in this paper with new evidence—is associated with broader civic and political engagement, the new donor status of low- and middle-income households may help mobilize their shared interests and create more democratic politics.¹⁶ And finally, because

12. *Id.*

13. *Id.*

14. There is scholarship on how giving creates a “warm glow” for donors, but this is only a very small part of the effects on donors we explore in this article. *See* sources cited *infra* note 129.

15. *See* discussion *infra* Part IV.

16. In focusing on the role of tax policy in pursuing democratic goals, we follow in the work of Philip Hackney, who has argued for eliminating the tax exemption for trade associations and in favor of the deductibility of labor union dues as a way of increasing the political influence of laborers. Philip T. Hackney, *Prop up the Heavenly Chorus? Labor Unions, Tax Policy, and Political Voice Equality*, 91 SAINT JOHN'S L. REV. 315, 316 (2017); Philip T. Hackney, *Taxing the Unheavenly Chorus: Why Section 501(c)(6) Trade Associations Are Undeserving of Tax Exemption*, 92 DENV. U. L. REV. 265, 267 (2015); *cf.* Philip Hackney, *Political Justice and Tax*

the relational goods that are associated with community involvement tend to be undervalued, nudging people toward greater engagement with a tax subsidy is likely to be in their own interest too.

Finally, the new justifications we provide for charitable giving incentives cross ideological lines, making them more likely to be adopted by Congress and more likely to survive changes in the balance of political power between Democrats and Republicans. The unwillingness of Congress to extend the expanded child tax credit in the winter of 2022, a credit that has massive benefits in terms of reducing child poverty, is a bracing example of what happens when slim and temporary political majorities are used to pass policies lacking broader support.¹⁷ By contrast, the earned income tax credit, which appeals to both parties (as an attack on poverty and as a work incentive) has been more resilient.¹⁸ We offer an array of justifications for refocusing the tax incentives for charitable giving toward a refundable tax credit. The justifications include broadening civic engagement, connecting people to reinvigorated local communities and civic organizations, providing opportunities for co-operation across political, economic, and racial difference, redistributing resources to low- and middle-income communities, and encouraging skill acquisition and the development of professional networks through greater volunteerism.¹⁹ Replacing the charitable deduction with a credit already appeals to progressives and conservatives.²⁰ The new justifications we offer and defend have appeal across the political spectrum.

In Part II, we diagnose the ill: the decline of civic institutions over time and declining involvement by individuals in community life. We explain why this engagement matters. In Part III, we lay out our argument for how the charitable contribution deduction can increase civic engagement. The argument relies on two links in a causal chain. First, the charitable contribution deduction increases financial giving and volunteerism. Second, increased giving and volunteerism increases civic engagement more broadly. The existing social science literature establishes the first link. In Part IV, we provide new evidence that demonstrates connections between financial giving, volunteerism, community membership, and civic and political engagement more generally, which suggests a causal relationship. We consider how this justification for the charitable deduction influences the traditional tax policy analysis. The historical decline in civic

Policy: The Social Welfare Organization Case, 8 TEX. A&M L. REV. 271, 273 (2021) [hereinafter Hackney, *Political Justice*]. Brian Galle has argued against the use of tax law to subsidize political activity and in defense of limits on the political activities of charities. Brian Galle, *Charities in Politics: A Reappraisal*, 54 WM. & MARY L. REV. 1561, 1561 (2013). Clint Wallace has argued that federal income tax law lacks democratic accountability. Clint Wallace, *Democracy Avoidance in Tax Lawmaking*, 25 FLA. TAX REV. 272, 274 (2021).

17. Tami Lubby, *Child Tax Credit Enhancement Fails to Make It into Federal Spending Bill*, CNN (Dec. 20, 2022, 6:56 PM), <https://www.cnn.com/2022/12/20/politics/child-tax-credit-spending-bill/index.html> [<https://perma.cc/H95W-R6VX>].

18. Robert Greenstein & Isaac Shapiro, *New Research Findings on the Effects of the Earned Income Tax Credit*, CTR. ON BUDGET & POL'Y PRIORITIES (Mar. 11, 1988), <https://www.cbpp.org/sites/default/files/archive/31/eitc.htm> [<https://perma.cc/P2P9-ATFW>] (“The EITC . . . has received bipartisan support throughout most of its history.”).

19. See discussion *infra* Part V.

20. See *infra* note 194.

engagement tracks an increase in income and wealth inequality, and we also report evidence on civic engagement across the income distribution, focusing on the lower end where the benefits of our proposal could be the greatest.²¹ In Part V, we describe how a revamped income tax approach to charitable contributions can help realize the best of its civic engagement benefits while also managing some of the problems by focusing on donors at low- and middle-income levels. Specifically, we propose a Community Contribution Credit designed to help incorporate into tax policy the civic benefits of increased charitable giving.

II. THE STATE OF CIVIC ENGAGEMENT

Alan Wolfe, one of the leading contemporary scholars of civil society, defines civil society as “those forms of communal and associational life which are organized neither by the self-interest of the market nor by the coercive potential of the state.”²² Instead, these are realms characterized by cooperation, altruism, trust, and intimacy.²³ The most familiar forms of civil society are groups such as neighborhood associations, churches, unions, charities, voluntary organizations, and families.

It is a recurring worry among scholars and commentators that American civil society is collapsing, and that reinvigorating voluntary associations is necessary to maintain a healthy balance between the individual, the market, and the state.²⁴ That worry is now cresting for both political progressives and conservatives. For some contemporary critics, the cause of the decline of civil society in the United States is located in a liberal political and economic order which, they argue, creates a fluid society of individuals who move in and out of physical and social spaces without forming deep or meaningful connections to people, places or cultures.²⁵ Some scholars conclude that the old institutions of civil society simply cannot persist in large contemporary societies with high levels of immigration and outmigration, and indeed social science evidence shows that civic engagement tends to decline as communities become more diverse.²⁶

21. Juliana Menasce Horowitz, Ruth Ingelniek, & Rakesh Kochhar, *Trends in Income and Wealth Inequality*, PEW RSCH. CTR. (Jan. 9, 2020), <https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/> [https://perma.cc/3M96-KWRY].

22. Alan Wolfe, *Is Civil Society Obsolete?: Revisiting Predictions of the Decline of Civil Society in Whose Keeper?*, BROOKINGS (Sept. 1, 1997), <https://www.brookings.edu/articles/is-civil-society-obsolete-revisiting-predictions-of-the-decline-of-civil-society-in-whose-keeper/> [https://perma.cc/5Y45-DBXM].

23. *Id.*

24. See, e.g., PUTNAM, *supra* note 1, at 25; DENEEN, *supra* note 1, at 2; Miriam Galston, *Civic Renewal and the Regulation of Nonprofits*, 13 CORNELL J. L. & PUB. POL’Y 289, 291 (2003)

If, however, you were to ask about the importance of participation in voluntary associations for producing, maintaining, or strengthening the quality of civic life, you would discover a substantial consensus that, for civic life to be strong, individuals need to take an active role in governance, and that participation in voluntary associations is one of the principal methods for assuring an active citizenry of this kind.

25. See, e.g., DENEEN, *supra* note 1, at 2.

26. Dora L. Costa & Matthew E. Kahn, *Civic Engagement and Community Heterogeneity: An Economist’s Perspective*, 1 PERSPECTIVES ON POL. 103, 104 (2003) (“In more-diverse communities, people participate less as measured by how they allocate their time, their money, their voting, and their willingness to take risks to help others.”).

But civic engagement has not declined everywhere for everyone and the demographic factors that correlate with civic participation paint a picture of who is most involved with voluntary associations in their communities. For example, engagement tends to be greater for people with higher educational attainment, those who are employed, and those who regularly attend religious services.²⁷ Civic engagement is positively correlated with homeownership,²⁸ how long the person has lived in her home,²⁹ and social status.³⁰ Having children or having grown up with parents that were volunteers are also associated with greater volunteerism.³¹ And, if someone is involved in nonpolitical civic activities, they are also more likely to be involved politically too.³² But these factors are also not fixed over time. For example, people become more or less engaged as they move through different phases in life.

We are mindful that although engagement with civil society has declined, the same may not be true of political engagement as recent years have seen relatively high rates of voting and political mobilization. Moreover, some of the same benefits of involvement with community organizations—building skills and networks, identification with a common purpose—may be available through involvement with political campaigns and parties. But our proposal to focus on civic engagement rather than political engagement—even if civic engagement may have some political implications—is motivated by the relative weakness of civil society and the need to reorient the nonprofit sector in a more democratic direction, and because the benefits to civic engagement are more broadly realized than matters of partisan politics.³³

Laments about the decline of civil society are often tinged with nostalgia about the sites of communal life that were common in the past. Of course, just because the most familiar expressions of civic life are in decline does not mean that civic life itself is. We may simply find community in different places now than we used to, such as in the workplace, online, or in political and protest movements.³⁴ The nostalgic tinge to the “decline of civil society” view can also

27. See generally Naomi E. Feldman, *Time Is Money: Choosing Between Charitable Activities*, 2 AM. ECON. J.: ECON. POL’Y 103 (2010).

28. Kim Manturuk, Mark Lindblad & Roberto Quercia, *Homeownership and Civic Engagement in Low-Income Urban Neighborhoods: A Longitudinal Analysis*, 48 URB. AFF. REV. 731, 732 (2012).

29. Amomrat Apinunmahakul, Vicky Barham & Rose Anne Devlin, *Charitable Giving, Volunteering, and the Paid Labor Market*, 38 NONPROFIT & VOLUNTARY SECTOR Q. 77, 83 (2009).

30. Feldman, *supra* note 27, at 116 (“[M]embership in voluntary organizations increases as social status increases.”).

31. *Id.*

32. Galston, *supra* note 24, at 340 (“[A] person’s work is not as significant a factor in prompting civic engagement, at least in the form of political participation, as is participation in voluntary forms of associational life.”).

33. One might also observe that some of the benefits to the individual of civil society can arise in the workplace, where friendships are formed, skills and networks cultivated, and a common purpose can be pursued. The presence of positive externalities and internalities from social connectedness complicates the conventional analysis of the efficiency costs of taxation of work. When spending time with loved ones is undervalued, for example, or there are positive externalities from volunteerism, there may be unaccounted for benefits offsetting some of the distortionary effects of a tax on labor income.

34. Wolfe, *supra* note 22.

obscure the fact that the vitality of some traditional civic institutions relied on exclusion and subordination.³⁵ Thus, some scholars see in this nostalgia a backlash against women's economic empowerment—which may have resulted in the decline of organizations that relied on women's unpaid labor—and movements for racial integration—which may have destabilized the culture, class, and racial homogeneity of unions, neighborhoods, and fraternal organizations.³⁶ Oftentimes, a strong sense of in-group membership in a voluntary organization is based on commonalities of status that can lead to the perpetuation of social inequality.³⁷ And, needless to say, not all voluntary organizations have salutary missions.

Since civic engagement can sometimes organize around status differences that reinforce inequality and sometimes energize political activity designed to exclude or oppress other groups, we need to ask why civic engagement should be encouraged, in general. Scholars articulate three broad sets of benefits from voluntary associations: the cultivation of individuals' skills, capacities, and democratic virtues, the nurturing of community, and the equal respect and protection of different interests in political life.³⁸ For our purposes, we divide these three sets of benefits into those that accrue immediately to the individual participants and those that take longer to realize and that are contingent on the political efficacy of volunteer associations.

Individuals involved with voluntary associations derive instrumental benefits, such as the cultivation of skills and professional and social networks, and intrinsic benefits, such as the pleasures that come from being in a community with other people with a common purpose, realizing shared goals, and developing friendships.

Scholars have documented the instrumental benefits of voluntary associations for the development of individual skills and capacities, such as learning about financial accounting and bookkeeping, how to navigate bureaucracies, tools for productive negotiation and conflict resolution, and whatever front-line skills might be necessary for the association to carry out its mission.³⁹ These benefits of civic participation have been particularly important in minority communities⁴⁰ and for religious institutions, which have been found to be effective

35. Galston, *supra* note 24, at 303

[C]ritics point out that a significant number of traditional associations favored by Putnam and other civic renewal advocates were exclusionary and that, at times, the bonds created or reinforced among group members were based on hostility toward outsiders—women or blacks or anyone who was not Irish (or Italian, or Jewish, or Armenian).

36. *Id.*

37. *Id.* at 304.

38. Kay Lehman Schlozman, Sidney Verba & Henry E. Brady, *Civic Participation and the Equality Problem*, in *CIVIC ENGAGEMENT IN AMERICAN DEMOCRACY* 427 (Theda Skocpol & Morris P. Fiorina eds., 2004). Nonprofits do not need to operate in a democratic fashion, but democratic governance is helpful in inculcating civic virtues. Dana Brakman Reiser, *Dismembering Civil Society: The Social Cost of Internally Undemocratic Nonprofits*, 82 *OR. L. REV.* 829, 831 (2003) (“Institutions that are internally democratic are more capable of and effective at building social capital and teaching civic skills. Thus, a trend away from governance with members reduces nonprofits’ ability to perform these essential societal services, imposing social costs.”).

39. Reiser, *supra* note 38, at 831.

40. SIDNEY VERBA, KAY LEHMAN SCHLOZMAN & HENRY E. BRADY, *VOICE AND EQUALITY: CIVIC VOLUNTARISM IN AMERICAN POLITICS* 320–30 (1995).

places for both developing skills and building the confidence of individuals with lower socioeconomic status.⁴¹

Participation in voluntary associations can also embed individuals in a community network that may help them to realize professional goals, such as job placement, the development of a client list, or obtaining career guidance and advice.⁴² The network may also provide access to professional services—such as legal services—or to experience, expertise, and counsel that might not be available to an individual from her existing social networks with family and friends.⁴³ For voluntary organizations that enable the sharing of knowledge and opportunities, the addition of a new member has positive benefits—externalities—on the rest of the members of the organization. Unless the members of the existing network can find a way to pass some of these benefits to a potential new member as part of the recruitment process, the decision of the potential member about whether to join the network or not will reflect only her private cost-benefit calculus, and so she will be less likely to join than would be socially desirable.

Individuals also receive intrinsic benefits from being socially connected to a group with a shared mission: friendship and a sense of common purpose. Although harder to quantify, empirical evidence supports the intuition that these experiences matter for individual happiness and well-being.⁴⁴ Not only is volunteering correlated with people's self-reports of satisfaction with their lives, but volunteering may cause life satisfaction increases,⁴⁵ and there is evidence that participation in religious organizations makes people happier and less likely to die “deaths of despair.”⁴⁶

41. Galston, *supra* note 24, at 398.

42. Jodi Benenson, *Civic Engagement and Economic Opportunity Among Low-Income Individuals: An Asset-Based Approach*, 28 VOLUNTAS 988, 988 (2017) (“[S]tudy participants were often able to mobilize and deploy the social and human capital assets accumulated through different types of civic engagement into employment and education opportunities.”).

43. *Id.*

44. Lalin Anik, Lara B. Aknin, Michael I. Norton & Elizabeth W. Dunn, *Feeling Good About Giving: The Benefits (and Costs) of Self-Interested Charitable Behavior* 12 (Harv. Bus. Sch. Mktg. Unit Working Paper No. 10-012, 2009) (reviewing the literature and concluding that giving causes increased happiness); Martin Binder & Andreas Freytag, *Volunteering, Subjective Well-Being and Public Policy*, 34 J. ECON. PSYCH. 97, 97 (2013) (“[T]he impact of regular volunteering on subjective well-being is positive and increasing over time if regular volunteering is sustained . . . this effect seems to be driven by reducing the unhappiness of the less happy quantiles of the well-being distribution for those who volunteer regularly.”).

45. Stephan Meier & Alois Stutzer, *Is Volunteering Rewarding in Itself?*, 75 ECONOMICA 39, 39 (2008) (“We find robust evidence that volunteers are more satisfied with their life than non-volunteers.”); Luigino Bruni & Luca Stanca, *Watching Alone: Relational Goods, Television and Happiness*, 65 J. ECON. BEHAV. & ORG. 506, 506 (2008) (“[R]elational goods have a significant effect on life satisfaction.”); Martin Binder, *Volunteering and Life Satisfaction: A Closer Look at the Hypothesis that Volunteering More Strongly Benefits the Unhappy*, 22 APPLIED ECON. LETTERS 874, 874 (2015); Leonardo Becchetti, Alessandra Pelloni & Fiammetta Rossetti, *Relational Goods, Sociability, and Happiness*, 61 KYKLOS 343, 360 (2008). One study reported correlations between activism and psychological well-being, but the causal link is not well-established. Malte Klar & Tim Kasser, *Some Benefits of Being an Activist: Measuring Activism and Its Role in Psychological Well-Being*, 30 POL. PSYCH. 755, 767 (2009).

46. Danny Cohen-Zada & William Sander, *Religious Participation Versus Shopping: What Makes People Happier?*, 54 J. L. & ECON. 889, 889 (2011) (“[R]epealing blue laws causes a significant decline in the religious participation of women and in their happiness.”). Tyler Giles, Daniel M. Hungerman & Tamar Oostrom, *Opiates of the Masses? Deaths of Despair and the Decline of American Religion*, (Nat'l Bureau of Econ. Rsch., Working

As important as participation in voluntary organizations seems to be to individual well-being, there is reason to think that people undervalue these benefits when considering whether to volunteer. Economists studying so-called “relational goods,” argue that these goods are “underconsumed”—one must think about time spent with a good friend as a form of consumption—relative to things like flashy consumer goods, for which consumption is more conspicuous.⁴⁷ One reason that people undervalue relational goods is that they tend to underestimate how habituated they will become to the pleasures of regular consumer goods—the so-called “hedonic treadmill.”⁴⁸ By contrast, people experience relatively little habituation to relational goods, so that good relationships tend to be evergreen sources of fulfillment.⁴⁹ A second reason for the underconsumption of relational goods is that, at their heart, there is a coordination or matching problem that must be overcome to realize them. It is much more difficult to find a mutually compatible life partner than a mode of transportation to work.⁵⁰

The second category of benefits from a flourishing sector of voluntary organizations accrue to society more generally. For example, there is evidence that civic participation increases voter turnout⁵¹ and political involvement, more generally.⁵² Increases in political engagement may lead to more equal representation in the lawmaking process and greater protection of minority interests. Group membership also tends to increase trust among members,⁵³ and some scholars even argue that civic engagement has positive spillover effects on the amount of social trust in society, including between members of the association and outsiders.⁵⁴

Paper No. 30840) (January 2023) (“Using repeals of blue laws as a shock to religiosity, we confirm that religious practice has significant effects on these [deaths of despair] mortality rates.”).

47. Becchetti et al., *supra* note 45, at 347; Bruno Frey & Alois Stutzer, *Does the Political Process Mitigate or Accentuate Individual Biases Due to Mispredicting Future Utility*, in BEHAV. PUB. FIN. 113 (Edward McCaffery & Joel Slemrod eds., 2005) (“There is an increasing belief that people systematically err in these decisions and that people spend too much time, effort, and money on goods, services and activities with strong extrinsic attributes. We argue that this tendency is attributable to systematic misprediction of [future] utility.”) (citations omitted); *see also* TIBOR SCITOVSKY, *THE JOYLESS ECONOMY: AN INQUIRY INTO HUMAN SATISFACTION AND CONSUMER DISSATISFACTION* 80–105 (1976); ROBERT H. FRANK, *LUXURY FEVER: WHY MONEY FAILS TO SATISFY IN AN ERA OF EXCESS* 14–32 (1999); Richard A. Easterlin, *Building a Better Theory of Well-Being*, in *ECONOMICS AND HAPPINESS: FRAMING THE ANALYSIS* (Luigino Bruno & Pier Luigi Porta eds., 2005); Benedetto Gui & Luca Stanca, *Happiness and Relational Goods: Well-Being and Interpersonal Relations in the Economic Sphere*, 57 INT’L REV. ECON. 105, 112 (2010); Thomas D. Griffith, *Progressive Taxation and Happiness*, 45 B.C. L. REV. 1363, 1388 (2004) (exploring “the harm individuals inflict upon themselves by overestimating the additional happiness that additional consumption will produce”).

48. *See* Griffith, *supra* note 47, at 1388.

49. Bruno S. Frey & Alois Stutzer, *Economic Consequences of Mispredicting Utility*, 15 J. HAPPINESS STUD. 937, 942 (2014).

50. Although we focus on individual subsidies for giving in this paper because we believe they best address a wide range of concerns, organization-level subsidies may also be helpful in addressing coordination problems and network externalities.

51. Galston, *supra* note 24, at 349–51.

52. *Id.* at 349.

53. Costa & Kahn, *supra* note 26, at 107–08 (stating that ethnic fragmentation lowers voting rates and, generally, “civic engagement is lower in more-heterogeneous communities.”).

54. Galston, *supra* note 24, at 291–92 (“[F]or many civic renewal advocates, the most salutary effects of broadening and deepening participation in voluntary associations stem from their role in creating generalized

Just as with some of the private benefits from social networks, social capital—of which trust is a key input—may be undersupplied by the marketplace. Two economists put it this way:

Social capital is an unusual commodity. No one can buy or sell it in the marketplace. It is a byproduct of individuals' collective choices on how to allocate their scarce time. Volunteers compare their own private costs and benefits of donating their time; they rarely consider the long-run social benefits of having these diverse groups interact—which may be economic as well as social.⁵⁵

Thus, whether looking at the private benefits or the public benefits of civic engagement, social science evidence and theory suggest that civic engagement will be lower than is socially optimal.⁵⁶ Individuals' private cost-benefit calculus underestimates the benefits of voluntary association to them and disregards the benefits to others.⁵⁷ One of the widely accepted uses of tax law is to correct for market failures of these kinds,⁵⁸ and yet tax law has neglected these issues. The primary tax incentive for supporting voluntary associations is the deduction for charitable contributions,⁵⁹ but it is a poor fit for a policy aimed at increasing civic engagement.

III. THE CHARITABLE CONTRIBUTION DEDUCTION

We begin by describing the federal income tax deduction for charitable contributions and outline the traditional arguments for and against the deduction. Although much attention has been paid to whether the deduction increases financial giving, scholarly literature has taken little notice of the collateral effects of the deduction on volunteerism. In fact, there is good evidence that the deduction increases both financial giving and volunteerism.⁶⁰ This evidence sets the stage for the new evidence that we report in Part IV on the relationship between volunteerism and civic and political engagement. Our argument, which extends the connection from the charitable deduction all the way to broad civic and political engagement, is new to the literature and informs our proposal for adopting a Community Contribution Credit in Part V.

interpersonal trust and the inclination of association members to cooperate with people outside their circle of friends and acquaintances in order to improve the surrounding communities.”).

55. Costa & Kahn, *supra* note 26, at 108–09.

56. See *supra* notes 51–55 and accompanying text.

57. See Costa & Kahn, *supra* note 26, at 108.

58. See, e.g., Hunt Allcott, Sendhil Mullainathan & Dmitry Taubinsky, *Energy Policy with Externalities and Internalities*, 112 J. PUB. ECON. 72, 72–73 (2014) (analyzing how to tax energy in presence of consumption externalities and “internalities” due to individuals’ failure to properly weight costs and benefits).

59. I.R.C. § 170.

60. See discussion *infra* Part IV.

A. *The Legal Landscape*

Section 170 of the Internal Revenue Code (the “Code”) provides an itemized income tax deduction for contributions of cash and property to entities that are exempt from federal income tax because they are organized and operated for religious, charitable, scientific, literary, or educational purposes.⁶¹ Deductible contributions can also be made to fraternal organizations if the donation is to be used for one of these charitable purposes,⁶² to certain organizations of war veterans,⁶³ to certain cemetery corporations,⁶⁴ and to federal, state, and local governments.⁶⁵ Since the charitable deduction is an itemized deduction, it is not available to taxpayers who take the standard deduction—generally those with lower incomes.⁶⁶

The Code limits the amount of the contribution that is deductible, depending on whether the donor is an individual or a corporation. For corporations, the amount of charitable contribution deductions is generally limited to 10% of the corporation’s taxable income.⁶⁷ For individuals, the deduction for contributions to most entities is limited to 50% of the taxpayer’s adjusted gross income (AGI).⁶⁸ For contributions to other entities, the deduction is limited to the lesser of 30% of the taxpayer’s AGI and the difference between 50% of the taxpayer’s AGI and the deduction allowable for contributions to the first set of entities.⁶⁹ If a taxpayer donates property that would give rise to long-term capital gain if it were sold, the amount of the contribution that is deductible is subject to another set of limitations.⁷⁰ When the amount of a contribution or deduction is limited by these caps, then any excess amount is generally carried forward to the next five tax years.⁷¹

In general, the value of a charitable contribution for the purpose of calculating the deduction includes built-in long-term capital gains but not short-term capital gains.⁷² Contributing inventory and property used in the taxpayer’s trade or business⁷³ and many other situations trigger specific rules and limitations. Deductions for contributions over \$250 must be substantiated by the donee

61. I.R.C. § 170(c)(2). This excludes certain entities operated to influence legislation or to support a candidate for political office. Donations to social welfare organizations listed in I.R.C. § 501(c)(4) are not deductible.

62. I.R.C. § 170(c)(4).

63. *Id.* § 170(c)(3).

64. *Id.* § 170(c)(5).

65. *Id.* § 170(c)(1).

66. The Tax Cuts and Jobs Act doubled the standard deduction, thereby increasing the number of taxpayers who do not benefit from the charitable deduction. *See id.* § 63(c)(7). In addition to the federal charitable deduction, there are a wide variety of state income tax incentives for charitable giving. We discuss these *infra*, when summarizing evidence about the effect of tax incentives on donations. *See* discussion *infra* Section III.C.

67. I.R.C. § 170(b)(2)(A).

68. *Id.* § 170(b)(1)(A).

69. *Id.* § 170(b)(1)(B).

70. *See id.* § 170(b)(1)(C)–(D).

71. *See, e.g., id.* § 170(b)(1)(D)(ii).

72. *See id.* § 170(e)(1). The credit for built-in long-term capital gain does not apply in certain cases. *See id.* § 170(e)(1)(B).

73. *See id.* § 170(e)(3)–(4).

organization with a written acknowledgement stating the amount of cash and a description of any property donated, and whether the donee organization provided any goods or services to the donor and an estimate of the property's value.⁷⁴

Congress expanded the availability of the charitable deduction to encourage giving during the coronavirus pandemic as part of the CARES Act, passed in March 2020.⁷⁵ The temporary changes made by the CARES Act allowed taxpayers who take the standard deduction to deduct up to \$300 for charitable contributions. It also increased the maximum amount of deductible cash contributions for itemizers.⁷⁶

B. Traditional Justifications

The charitable contribution deduction occupies an unusual place in federal income tax policy.⁷⁷ For some tax scholars, the *sine qua non* of a deduction is that it is necessary to properly measure income.⁷⁸ On this view, the charitable contribution deduction is justifiable only if it is necessary to measure income. An alternative view, which views the income tax as a tool of social and economic policy, justifies the deduction in terms of its social and economic benefits.⁷⁹

1. Income Measurement

The income tax is generally—albeit only generally—speaking a tax on income.⁸⁰ Income, given its most capacious definition by the economist Henry Simons, is the sum of the taxpayer's consumption and their increase in wealth over

74. See *id.* § 170(f)(8)(A).

75. Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, §§ 2204, 2205, 134 Stat. 281, 345–46 (2020).

76. See Richard Rubin, *Expanded Tax Break for Charitable Gifts Gains Support in Congress*, WALL ST. J. (June 15, 2020, 7:00 AM), <https://www.wsj.com/articles/expanded-tax-break-for-charitable-gifts-gains-support-in-congress-11592218800> [<https://perma.cc/A8GR-E4HN>].

77. Professor Gergen provides three theories supporting the charitable contribution deduction. Mark P. Gergen, *The Case for a Charitable Contributions Deduction*, 74 VA. L. REV. 1393 (1988).

78. See, e.g., Yehonatan Givati, *Theories of Tax Deductions: Income Measurement versus Efficiency*, J. L., FIN., & ACCT. 1, 1 (2019) (“For many tax law scholars, deductions exist primarily ‘to measure income accurately’”) (internal citations omitted).

79. For a summary of the deduction based on base measurement or subsidy grounds, see Roger Colinvaux, *Rationale and Changing the Charitable Deduction*, 138 TAX NOTES 1453, 1456 (2013). Miranda Fleischer has written extensively about the compatibility of tax benefits for nonprofits with theories of justice, focusing on classical liberalism. See, e.g., Miranda Perry Fleischer, *Subsidizing Charity Liberally*, in RESEARCH HANDBOOK ON NOT-FOR-PROFIT LAW (2018); Miranda Perry Fleischer, *How Is the Opera Like a Soup Kitchen?*, in PHILOSOPHICAL FOUNDATIONS OF TAX LAW 259–60 (Monica Bhandari ed., 2016); Miranda Perry Fleischer, *Charitable Giving and Utilitarianism: Problems and Priorities*, 89 IND. L.J. 1485, 1486–87 (2014); Miranda Perry Fleischer, *Libertarianism and the Charitable Tax Subsidies*, 56 B.C. L. REV. 1345, 1345 (2015); Miranda Perry Fleischer, *Theorizing the Charitable Tax Subsidies: The Role of Distributive Justice*, 87 WASH. U. L. REV. 505, 505 (2010).

80. There are many features of the income tax that cause it to resemble a consumption tax, such as the deduction for contributions to qualified retirement plans, the deferred taxation on gain from dealing in property due to the realization requirement, and the basis step up at death. See I.R.C. §§ 1001, 1014.

the tax period.⁸¹ Held to this standard, the question of whether a taxpayer should be able to deduct charitable contributions depends on whether a gift of property or cash purchases for the donor is something that we might call “consumption.” If it is, then no deduction should be allowed just as no deduction is appropriate for the cost of going to dinner and a movie.⁸²

Perhaps surprisingly, even though charitable gifts have been deductible under the federal income tax from the beginning, there is no consensus over the proper treatment of cash gifts for federal income tax purposes.⁸³ Does an individual who gives money to charity have the same ability to pay taxes as someone who spends the same amount of money on material consumption purchases in the market? Although the donor is poorer by having made the contribution, so is the moviegoer. We cannot avoid the question of whether a gift is more like going to a movie or more like an uncompensated loss. The puzzle of how to treat charitable contributions is even more vexing when compared with the treatment of personal gifts, such as those between family members. Personal gifts are neither deductible by the giver nor includible as income by the recipient.⁸⁴

Although scholars are undecided about whether charitable contributions should be deductible under an ideal income tax,⁸⁵ the federal government is not. Both Congress’ Joint Committee on Taxation and the U.S. Treasury Department identify the charitable deduction as a “tax expenditure,” meaning that it is a deduction best understood as a substitute for a separate spending or regulatory program;⁸⁶ it is a carveout from the tax base adopted not to properly measure income but for policy reasons.⁸⁷ Treasury lists the charitable contribution deduction as a

81. HENRY C. SIMONS, *PERSONAL INCOME TAXATION: THE DEFINITION OF INCOME AS A PROBLEM OF FISCAL POLICY* 50 (1938) (“Personal income may be defined as the algebraic sum of (1) the market value of rights exercised in consumption and (2) the change in the value of the store of property rights between the beginning and end of the period in question.”).

82. See I.R.C. § 262 (disallowing a deduction for personal expenses).

83. David Hasen, *How Should Gifts Be Treated Under the Federal Income Tax?*, 2018 MICH. ST. L. REV. 81, 81 (2018).

84. This result derives from fact that tax law does not provide a deduction for gifts, and I.R.C. § 102 excludes the value of cash and property gifts from income. There are several alternatives for how to treat personal gifts, summarized in KATHERINE PRATT, THOMAS D. GRIFFITH & JOSEPH BANKMAN, *FEDERAL INCOME TAX* 68–75 (2019, 8th ed.); Richard Schmalbeck, *Gifts and the Income Tax—An Enduring Puzzle*, 73 L. & CONTEMP. PROBS. 63, 63 (2010).

85. Professor Andrews was influential in arguing that contributions should be deductible on income measurement grounds. See generally William D. Andrews, *Personal Deductions in an Ideal Income Tax*, 86 HARV. L. REV. 309 (1972).

86. Office of Tax Analysis, *Tax Expenditures*, U.S. DEP’T TREASURY 16, 17 (Oct. 19, 2018) (“The baseline tax system would not allow a deduction for personal expenditures including charitable contributions”); see JOINT COMM. ON TAX’N, *ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 2019–2023* 9 (2019).

87. Since most giving to religious organizations benefits members of the community, the deduction has generally been viewed as a subsidy. Ellen P. Aprill, *Churches, Politics, and the Charitable Contribution Deduction*, 42 B.C. L. REV. 843, 873 (2001). Evidence on whether financial giving and participation in religious organizations are substitutes or complements is mixed. Compare Barış K. Yörük, *The Impact of Charitable Subsidies on Religious Giving and Attendance: Evidence from Panel Data*, 95 REV. ECON. & STAT. 1708, 1708 (2013) (stating that charitable subsidies have spillover effects in the religious context, with subsidies for giving increasing religious participation), with Jonathan Gruber, *Pay or Pray? The Impact of Charitable Subsidies on Religious Attendance*, 88 J. PUB. ECON. 2635, 2637 (2004) (giving subsidy increases giving but reduces religious attendance).

tax expenditure that was expected to result in foregoing \$48.2 billion in fiscal year 2020.⁸⁸ So, what is the social policy behind the charitable deduction?

2. *Social Policy*

Viewed from a social policy or tax expenditure perspective, the charitable deduction is a mechanism through which the federal government subsidizes the beneficiaries of private giving.⁸⁹ Scholars have offered a wide range of arguments for why this is a good thing to do. A partial list of these arguments include: the deduction helps fund charities that cannot access private capital markets; charities do what the government would otherwise do but “with more imagination, diversity, flexibility or economy;”⁹⁰ nonprofits retain a sphere of sovereignty into which the income tax should not intrude;⁹¹ the charitable contribution deduction is a way for Congress to delegate funding decisions;⁹² the deduction is a “process subsidy” that supplements majoritarian politics by allowing for the expression of minority perspectives;⁹³ and that it is simply a sensible way of funding organizations that have public support.⁹⁴

Once we are in the realm of social policy, it is appropriate to ask about the distributional effects of the charitable deduction. Who benefits? The federal deduction for charitable contribution is an itemized deduction.⁹⁵ This has two implications for who benefits. First, the charitable contribution deduction only benefits taxpayers whose itemized deductions exceed the standard deduction.⁹⁶ Since the most significant other itemized deductions include state and local taxes and mortgage interest,⁹⁷ taxpayers who itemize tend to have higher incomes and are more likely to be homeowners than non-itemizers. In 2017, the tax law generally known as the Tax Cuts and Jobs Act dramatically increased the standard deduction—to \$24,000 in the case of married couples filing jointly.⁹⁸ This change reduced the number of households that itemize their deductions, and

88. JOINT COMM. ON TAX’N, *supra* note 86.

89. See Aprill, *supra* note 87, at 873.

90. Boris I. Bittker, *Charitable Contributions: Tax Deductions or Matching Grants*, 28 TAX L. REV. 37, 39 (1972).

91. Evelyn Brody, *Of Sovereignty and Subsidy: Conceptualizing the Charity Tax Exemption*, 23 J. CORP. L. 585, 587–89 (1998).

92. See Saul Levmore, *Taxes as Ballots*, 65 U. CHI. L. REV. 387, 425–28 (1998).

93. See Ilan Benshalom, *The Dual Subsidy Theory of Charitable Deductions*, 84 IND. L.J. 1047, 1047–48 (2009).

94. See Daniel Halperin, *A Charitable Contribution of Appreciated Property and the Realization of Built-in Gains*, 56 TAX L. REV. 1, 2–3 (2002).

95. I.R.C. §§ 63(d), 63(b), 62.

96. A taxpayer can either itemize her deductions or take the standard deduction. I.R.C. § 63. For 2021 only, a taxpayer taking the standard deduction could take a limited deduction for charitable contributions. I.R.C. § 170(p).

97. *Id.* §§ 164(a), 163.

98. Pub. L. No. 115-97, 131 Stat 2054 § 11021 (increasing the standard deduction for an individual to \$12,000). The standard deduction for a married couple filing jointly is twice the deduction for an individual. I.R.C. § 63(c)(2)(A).

therefore the number who received a tax benefit from any charitable contribution, from 46 million to 19 million.⁹⁹

Second, because each dollar of a charitable contribution deduction reduces the taxpayer's taxable income by a dollar, the tax benefit of the deduction depends on the rate at which the taxpayer's income is taxed. Taxpayers in higher tax brackets therefore benefit more from a deduction than taxpayers in lower tax brackets. Unsurprisingly, then, the charitable deduction tends to benefit higher-income taxpayers. And, in fact, the deduction was originally incorporated into the federal income tax with primarily the rich in mind, to encourage their continued support of charitable organizations.¹⁰⁰

Of course, the fact that higher-income taxpayers tend to save more in taxes from the charitable deduction does not mean that they are the sole economic beneficiaries. To the extent that the reduced cost of charitable giving increases the *amount* of giving, charities benefit as well. Consider a taxpayer who is willing to forego \$100 of income to benefit a charity. If the donation is not deductible, then the \$100 donation to the charity costs the taxpayer \$100. If the donation is deductible—at a 20% rate, for example—then the taxpayer can make a \$125 contribution that will only cost her \$100 after accounting for the taxes she saves by taking the deduction. The increase in giving that results from the charitable contribution deduction means there is another beneficiary of the deduction: the charities that receive charitable contributions.

The total redistributive effect of the charitable contribution deduction depends on the degree to which increased giving goes to charities that benefit lower-income households.¹⁰¹ But tracing the ultimate beneficiaries of nonprofits' activities is not easy. For example, consider the case of post-secondary education. If a college or university predominantly educates students from lower-income backgrounds and significantly increases their earnings potential at a subsidized cost, then donations to this college or university would tend to have a redistributive effect. This is not, however, how post-secondary education currently works in the United States. The household income of students is highly correlated with both the prestige of the university and the amount of charitable contributions that they receive.¹⁰²

Therefore, the net distributional effect of charitable contributions depends both on who makes deductible contributions and who ultimately benefits from these contributions. The charitable organization is only an intermediary between donors and the beneficiaries. The overall redistributive effect might be regressive, given the distribution of tax benefits from the deduction and the

99. Howard Gleckman, *A Last Look At the 2019 Filing Season*, TAX POL'Y CTR. (Apr. 25, 2019), <https://www.taxpolicycenter.org/taxvox/last-look-2019-filing-season> [https://perma.cc/5JHX-KFLM].

100. Nicolas J. Duquette, *Founders' Fortunes and Philanthropy: A History of the U.S. Charitable-Contribution Deduction*, 93 BUS. HIST. REV. 553, 555 (2019).

101. See Schmalbeck, *supra* note 84, at 67 ("[I]t is appropriate to view them [charitable entities] instead as intermediaries that transfer the resources to ultimate beneficiaries of the organization's charitable programs.")

102. Raj Chetty, John N. Friedman, Emmanuel Saez, Nicholas Turner & Danny Yagan, *Income Segregation and Intergenerational Mobility Across Colleges in the United States*, 135 Q.J. ECON. 1567, 1596 (2020).

intermediating institutions that receive most deductible gifts. But this is ultimately an empirical question that may be practically unanswerable given its complexity.¹⁰³

In general, arguments in defense of charitable tax subsidies tend to focus on these distributional effects and the value of charities to their beneficiaries.¹⁰⁴ Our argument is that an important consideration is missing from the discussion: the effect of charitable giving on the *donors*. Although other scholars have conjectured about the broader effects of the charitable deduction,¹⁰⁵ we take up the challenge of those conjectures to provide mechanisms and evidence for the idea that the charitable deduction can benefit the donor through increased civic engagement.¹⁰⁶

C. *An Onramp to Civic Engagement*

As a theoretical matter, the charitable deduction could affect volunteerism and civic engagement through several channels, which we describe here. Ultimately, the effect of giving on volunteerism and engagement is ambiguous, requiring empirical analysis. Drawing on existing research and reporting new evidence, we conclude that tax incentives for charitable giving likely increases civic engagement.

First, we consider the reasons that reducing the price of donating to charity—such as through a charitable deduction—might reduce a taxpayer’s willingness to volunteer for that charity. Suppose that the taxpayer cares primarily about the ability of a charity to fulfill its mission and that the taxpayer can contribute to the fulfillment of that mission by donating money, volunteering time, or both. Reducing the price of financial contributions will have both income and substitution effects, making her richer (through the tax savings) and reducing the price of financial donations as compared with other things that she might do with her income. Both effects will increase her financial giving. The effect on the amount of time she spends volunteering, however, is ambiguous; it depends on whether the income effect is larger—in which case she will volunteer more—or the substitution effect is larger—in which case she will volunteer less. For example, suppose that the taxpayer has a fixed budget for how much she wants to support a given charity. If it becomes cheaper for her to contribute financially than by volunteering, then her increased financial contributions will reduce her volunteerism one-for-one.

103. For example, consider the deductibility of donations to universities. Beneficiaries of a university’s activities include residents of the place where it is located, students, faculty and other employees, and ultimately those whose lives are affected by the knowledge that is produced.

104. Roger Colinvaux, Brian Galle & Eugene Steuerle, *Evaluating the Charitable Deduction and Proposed Reforms*, URB. INST. & TAX POL’Y CTR. 5 (2012) (“Subsidy theories take many forms but generally posit that the deduction is warranted as a way of achieving some widely agreed-upon social good for beneficiaries, either as individuals or part of some collective.”).

105. *See id.*

106. *Id.* at 6 (“Viewed broadly, fostering acts of charity through a charitable deduction may promote a more altruistic, cooperative society and help develop better citizenship. Such gains to society derive not just from the benefits transferred to ultimate donees, but from a contagious effect on the behavior of the donors.”).

On the other hand, making financial contributions could affect the desirability of volunteering. If the charity has greater financial resources, then the work environment for volunteers could be better, say by providing a more comfortable work environment, refreshments, etc. A significant financial donor might also be known by managers and employees of the charitable organization and receive favorable treatment when she volunteers her labor. If the charity has greater financial resources, then it may also increase the productivity of volunteers, just as an increase in capital increases the productivity of labor for private firms.¹⁰⁷ An individual who makes financial donations may want to volunteer for the organization to monitor the use of funds and ensure that her donations are being used productively.¹⁰⁸ All of these factors may make an individual more likely to volunteer when she has given larger financial contributions. Another channel for increased volunteerism runs through the nonprofit itself, which may use lists of financial donors to identify potential volunteers.

There may be other psychological factors at play as well. Making financial contributions to a charity may cause someone to feel invested in the enterprise, such that her preferences for volunteering change and she develops a greater taste for supporting the organization. And causation may run in the other direction too, from volunteering to financial giving. An individual who volunteers may both develop a greater attachment to the organization's mission and learn more about the charitable organization. What she learns may make her more confident about the effectiveness of the organization and the stewardship of its financial resources, thereby making her more willing to donate.

For many of the same reasons, financial contributions could be an onramp to—or offramp from—civic engagement more generally. A taxpayer who cares about the mission of a charitable organization should be more likely to turn out to vote for elected officials who will support that mission and to show up at public meetings to discuss issues that may affect that organization. They may be more likely to write letters and call government leaders and to work with community groups whose activities could benefit the charity. Just as homeownership creates vested interests in the community, once a taxpayer becomes invested in the mission of a charitable organization then she also becomes interested in other actors—government actors in most cases—that affect the organization. As the individual expands her spheres of concern beyond her own material consumption, she will naturally take an interest in, and may work to change, the legal and

107. Michael T. Owyang & Hannah Shell, *How Capital Deepening Affects Labor Productivity*, FED. RESERVE BANK ST. LOUIS (Apr. 19, 2018), <https://www.stlouisfed.org/on-the-economy/2018/april/capital-deepening-affects-labor-productivity> [https://perma.cc/837Y-4SUQ] (“An increase in capital per hour (or capital deepening) leads to an increase in labor productivity.”).

108. On the economics of volunteering, see David M. Schizer, *Subsidizing Charitable Contributions: Incentives, Information, and the Private Pursuit of Public Goals*, 62 TAX L. REV. 221, 256 (2009) (“Since they are contributing their own money, donors have the incentive to assess whether their gifts are having a positive impact. When the donor is capable of making a large contribution, moreover, she is likely to have influence with the nonprofit manager.”); see generally Richard Steinberg & Brian Galle, *A Law and Economics Perspective on Nonprofit Organizations*, in RESEARCH HANDBOOK ON NOT-FOR-PROFIT LAW 16 (Matthew Harding ed., 2018).

policy environment to favor the people and organizations in her area of concern.¹⁰⁹

Ultimately, we are interested in whether providing tax incentives for charitable donations of cash or property will result in increased volunteerism and civic participation. Two causal links support this argument. First, tax incentives encourage financial giving and volunteerism. Second, giving and volunteerism increase civic participation.

1. *Taxes and Giving*

Economists have studied the effects of tax incentives on charitable giving. The evidence indicates that charitable giving responds to tax incentives; the only question is how much. The key metric for evaluating the efficiency of the charitable contribution deduction is how responsive giving is to the after-tax price of giving. This quantity is known as the “price elasticity” of giving, which is the percent change in giving for a 1% change in the price of a donation.¹¹⁰ One can similarly define the income elasticity of giving as the change in giving associated with a 1% change in income. The key price elasticity threshold is 1.¹¹¹ This is the point at which the charitable deduction is “treasury efficient,” such that each dollar of foregone tax revenue is associated with a dollar increase in charitable receipts.¹¹²

Estimates of the price elasticity have varied over time. Studies from the 1970s show price elasticities of greater than 1, but studies done in the 1980s in the periods around federal income tax reform show smaller effects, with the largest effects of tax incentives on giving being at the higher end of the income distribution.¹¹³ More recently, estimates of the price and income elasticities of charitable giving have been around 1 and 0.5, respectively, although giving was less responsive to income and more responsive to the price of giving during the Great Recession.¹¹⁴ One study finds price elasticities of between 0.94 and 1.15 and

109. This is analogous to cultivating other-regarding preferences. For analyses of the effect of other-regarding preferences on standard results in law and economics, see Andrew T. Hayashi, *The Law and Economics of Animus*, 89 U. CHI. L. REV. 581, 587 (2022); Michael D. Gilbert & Andrew T. Hayashi, *Do Good Citizens Need Good Laws? Economics and the Expressive Function*, 22 THEORETICAL INQUIRIES L. 153, 155 (2021).

110. John Peloza & Piers Steel, *The Price Elasticities of Charitable Contributions: A Meta-Analysis*, 24 J. PUB. POL’Y & MKTG. 260, 261 (2005).

111. *See id.* at 267–68.

112. *See id.*

113. *See* William S. Reece & Kimberly D. Zieschang, *Consistent Estimation of the Impact of Tax Deductibility on the Level of Charitable Contributions*, 53 ECONOMETRICA 271, 271 (1985) (finding lower elasticities for lower income taxpayers, suggesting that charitable giving is a luxury good); Gerald E. Auten, James M. Cilke, & William C. Randolph, *The Effects of Tax Reform on Charitable Contributions*, 45 NAT’L TAX J. 267, 267 (1992) (increasing tax rates reduces giving, particularly for high-income taxpayers, with a large effect on atypically large gifts).

114. Arthur C. Brooks, *How Did the Great Recession Affect Charitable Giving?*, 46 PUB. FIN. REV. 715, 717–18 (2018); *see also* Jon Bakija & Bradley T. Heim, *How Does Charitable Giving Respond to Incentives and Income? New Estimates from Panel Data*, 64 NAT’L TAX J. 615, 618 (2011). Estimates of the price elasticity of giving may be confounded by the effect of those subsidies on nonprofits’ fundraising activities. Brian Galle, *How Do Nonprofit Firms Respond to Tax Policy?*, 45 PUB. FIN. REV. 364, 366 (2017).

income elasticities of 0.24 to 0.35.¹¹⁵ A meta-analysis of the research in this area conducted in 2005 found that the price elasticity of giving is likely greater than one¹¹⁶ and that lower-income taxpayers are as responsive to tax incentives as higher-income taxpayers.¹¹⁷

The price elasticity of giving varies depending on the donee organization. Giving is more price sensitive for religious organizations and charitable organizations like the United Way than for health organizations.¹¹⁸ Professor Duquette finds very large effects of taxes on giving, with health care and home care donations being more sensitive to taxes while donations to higher education and arts organizations are less tax sensitive.¹¹⁹ Other research finds larger giving responses for donations to private foundations than public charities, and the greatest sensitivity for donations to charities devoted to environmental protection, animal welfare, arts and culture, private health care, and philanthropy.¹²⁰

In addition to federal income tax incentives, states also provide their own tax incentives for charitable giving, although they tend to be restricted to certain kinds of organizations.¹²¹ Differences across states in how they implement their tax incentive programs provide a good opportunity to study the effects of those incentives. Economists have found that some state tax credits do not appear to influence giving,¹²² but that one reason for this is taxpayers' lack of awareness about the credits.¹²³ The ease with which one can claim a charitable tax credit is a key factor affecting the take-up of the credit—even more important than the rate at which donations are credited against tax liability.¹²⁴

The evidence on the effectiveness of tax credits on giving is mixed, with research suggesting that Arizona's Working Poor Tax Credit and Michigan's Homeless Shelter and Food Bank Credit, which appeared to be geared toward

115. Laura Tiehen, *Tax Policy and Charitable Contributions of Money*, 54 NAT'L TAX J. 707, 719 (2001).

116. See Peloza & Steel, *supra* note 110, at 263–64.

117. *Id.* at 262. One study finds that elasticities for households earning under \$30,000 in 1974 exceeds 2. Michael J. Boskin & Martin Feldstein, *Effects of the Charitable Deduction on Contributions by Low Income and Middle Income Households: Evidence from the National Survey of Philanthropy*, 59 REV. ECON. & STAT. 351, 351–52 (1977). For a more recent survey on price and income elasticity estimates, see Jon Bakija, *Tax Policy and Philanthropy: A Primer on the Empirical Evidence for the United States and Its Implications*, 80 SOC. RSCH.: AN INT'L Q. 557 (2013).

118. Arthur C. Brooks, *Income Tax Policy and Charitable Giving*, 26 J. POL'Y ANALYSIS & MGMT. 599, 610 (2007).

119. Nicolas J. Duquette, *Do Tax Incentives Affect Charitable Contributions? Evidence from Public Charities' Reported Revenues*, 137 J. PUB. ECON. 51, 51 (2016).

120. Michelle H. Yetman & Robert J. Yetman, *How Does the Incentive Effect of the Charitable Deduction Vary Across Charities?*, 88 ACCT. REV. 1069, 1071 (2012).

121. *State and Local Tax Treatment of Charitable Contributions*, U.S. CHARITABLE GIFT TR., <https://www.uscharitablegifttrust.org/tax-treatment-of-charitable-contributions.php> (last visited June 4, 2023) [<https://perma.cc/YAX2-Z8DQ>].

122. NICOLAS DUQUETTE, ALEXANDRA GRADDY-REED & MARK PHILLIPS, *THE EFFECTIVENESS OF TAX CREDITS FOR CHARITABLE GIVING I* (2018).

123. See Peloza & Steel, *supra* note 110, at 268.

124. See generally Daniel Teles, *Do Tax Credits Increase Charitable Giving? Evidence from Arizona and Iowa*, 109 PROC. ANN. CONF. TAX'N MINUTES ANN. MEETING NAT'L TAX ASS'N 1 (2016).

small donors making regular contributions, had only limited effects on giving.¹²⁵ On the other hand, more generous programs that focused on larger, one-time gifts, such as those in Iowa, Connecticut, Delaware, and Missouri, have been more successful.¹²⁶ Michigan has had success with a charitable credit for giving to community foundations,¹²⁷ as has Arizona.¹²⁸ When we propose a federal Community Contribution Credit in Part V, we pay special attention to the ways that awareness of the credit and the simplicity of administration are likely to affect take-up.

A central question in the scholarly literature on charitable giving is how much people care only about the charitable organization and the resources available to it for pursuing its mission, and how much they care about the “warm glow” they get from the act of giving itself.¹²⁹ This distinction matters because it affects whether government support for a charity will “crowd out” private donations. The logic is as follows: if people care only about the total resources available to the charity, then an increase in government support for the charity will cause individuals to reduce their own donations dollar-for-dollar. On the other hand, if people care only about the good feeling that comes from contributing to a worthy cause themselves, then there will be no crowding out effect of public support on private giving.

In truth, people are what are known as “impure altruists,” caring both about the charity and about the feeling of giving themselves.¹³⁰ For impure altruists, an increase in government support can both crowd out and can “crowd in” private donations.¹³¹ Whether government support crowds out or crowds in private donations depends on the nature of the charity, with researchers finding that public

125. For a review of this program, see NAOMI E. FELDMAN & JAMES R. HINES JR., *TAX CREDITS AND CHARITABLE CONTRIBUTIONS IN MICHIGAN* (2003), <https://www.bus.umich.edu/otpr/WP2003-7.pdf> [<https://perma.cc/DTX4-SRW3>] (“Contributors claiming credits in Michigan are disproportionately drawn from the high-income part of the population, though the ratio of tax credit benefits to total tax obligations is approximately equal for all income groups.”).

126. See Teles, *supra* note 124, at 2, 4.

127. Donna M. Anderson & Ruth Beier, *The Effect of a State Tax Credit on Giving to Community Foundations*, 43 *AM. ECONOMIST* 66, 71 (1999).

128. Carol J. De Vita & Eric C. Twombly, *Charitable Tax Credits: Boon or Bust for Nonprofits?*, 16 *URB. INST.* 1, 2 (July 1, 2004), <http://webarchive.urban.org/publications/311036.html> [<https://perma.cc/TRF4-3YYW>].

129. For evidence that people are motivated by the warm glow of giving, see Alex Imas, *Working for the “Warm Glow”*: *On the Benefits and Limits of Prosocial Incentives*, 114 *J. PUB. ECON.* 14, 15, 17 (2014); Heidi Crumpler & Philip J. Grossman, *An Experimental Test of Warm Glow Giving*, 92 *J. PUB. ECON.* 1011, 1012, 1018 (2008); Clair Null, *Warm Glow, Information, and Inefficient Charitable Giving*, 95 *J. PUB. ECON.* 455, 464 (2011) (“Suggestive evidence indicates that warm glow utility derived from the act of making a gift, which can lead to a love of variety even among similar charities, and risk aversion over the social value of charitable gifts are both important factors motivating donors who make socially inefficient gifts.”). There is some evidence that women are more likely to be warm glow givers. Mirco Tonin & Michael Vlassopoulos, *Disentangling the Sources of Pro-Socially Motivated Effort: A Field Experiment*, 94 *J. PUB. ECON.* 1086, 1087, 1090 (2010).

130. For a review of this literature, see Matthew Kotchen & Katherine R.H. Wagner, *Crowding in with Impure Altruism: Theory and Evidence from Volunteerism in National Parks* 5 (Nat’l Bureau of Econ. Rsch., Working Paper No. 26445, 2019).

131. There can even be greater crowding out for impure altruists than pure altruists. *Id.* at 28 (“[T]he different cases depend in part on the degree of substitutability or complementarity between the public good and the private benefit associated with one’s own provision.”).

spending on parks crowds in volunteerism,¹³² whereas government funding of public radio crowds out private donations.¹³³ More generally, government transfers to the poor probably crowd out donations while spending on social services crowd in donations.¹³⁴

The distinction between warm glow giving and pure altruism also affects how best to structure a tax incentive for giving, a topic that we return to in Part V. The issue is this: how does an individual who makes a \$100 donation that entitles her to a \$90 tax credit perceive her donation? Is it a \$100 donation made by her—which will be most attractive for a warm glow giver—or is it a \$10 donation that is accompanied by a \$90 donation from the federal government? Because the evidence suggests that people care at least a little about the warm glow,¹³⁵ we have balanced the design of our Community Contribution Credit to maximize the feeling of personal agency in the donation decision while still incentivizing the donation.

2. *Giving and Volunteering*

Volunteer labor is an important source of support for charities. In 2017, individuals volunteered 8.8 billion hours of labor estimated to be worth roughly \$195 billion.¹³⁶ At the individual level, volunteering and giving are highly correlated¹³⁷ for several reasons.¹³⁸ First, charities often approach volunteers to make monetary donations as well (and vice versa). And simply being asked to support a charity has a very large effect on the probability of making a financial gift.¹³⁹ Second, a person who either contributes to or volunteers for an organization is likely interested in advancing the mission of the organization. Doing both

132. *Id.* at 23.

133. Bruce R. Kingma, *An Accurate Measurement of the Crowd-Out Effect, Income Effect, and Price Effect for Charitable Contributions*, 97 J. POL. ECON. 1197, 1205 (1989).

134. Jerald Schiff, *Does Government Spending Crowd Out Charitable Contributions?*, 38 NAT'L TAX J. 535, 542 (1985).

135. See sources cited *supra* note 129.

136. NCCS Project Team, *The Nonprofit Sector in Brief 2019*, NAT'L CTR. CHARITABLE STAT. (June 4, 2020), <https://nccs.urban.org/publication/nonprofit-sector-brief-2019> [<https://perma.cc/A4CG-CWBP>].

137. See generally VIRGINIA A. HODGKINSON & MURRAY S. WEITZMAN, *GIVING AND VOLUNTEERING IN THE UNITED STATES: FINDINGS FROM A NATIONAL SURVEY* (1992).

138. JOSEPH J. CORDES, *THE COST OF GIVING: HOW DO CHANGES IN TAX DEDUCTIONS AFFECT CHARITABLE CONTRIBUTIONS?* 3, <https://www.urban.org/sites/default/files/publication/42686/310256-The-Cost-of-Giving-How-Do-Changes-in-Tax-Deductions-Affect-Charitable-Contributions-.PDF> [<https://perma.cc/H4EC-PR32>]

[S]ome studies have found that when people give money to charities they are also more likely to volunteer their time. Hence, financial incentives that encourage gifts of cash may also help charities expand and deepen their pool of volunteers in a way that direct government grants to charities will not. Increased volunteer participation in charitable activities not only provides a tangible benefit to charities but also may help foster civic virtues that are needed to help maintain a “civil society.”

Apinunmahakul, Barham & Devlin, *supra* note 29, at 90 (showing that the effect is stronger in Canada for men than women, as is the crowding out effect).

139. Being asked to give increases giving by nineteen percentage points according to one estimate. See Barış K. Yörük, *How Responsive Are Charitable Donors to Requests to Give?*, 93 J. PUB. ECON. 1111, 1115 (2009).

activities helps the organization pursue its mission even more than either action alone.

But this last explanation also raises a puzzle, at least for social scientists who have studied the relationship between monetary donations and volunteerism. If the value of someone's time is the wage that they could earn in the marketplace, then the benefits to the charity of their time will be either greater than their wage—in which case the person should volunteer—or the value of their labor to the charity is less than their market wage—in which case the person should work and donate their earnings. If the potential volunteer cares only about the value of her donations and the ability of the charity to pursue its mission, then we should not observe people giving both money and their time.¹⁴⁰

Yet we do. Even high earners volunteer their time.¹⁴¹ The reason is that financial giving and volunteering are not perfect substitutes.¹⁴² Although both contribute to the mission of a charitable organization, they confer different benefits on the donor. For example, people derive more of a warm glow from making in-kind donations than cash donations.¹⁴³ When you volunteer with a charity you may get to see grateful faces, receive recognition, make social contacts, and even experience the work as leisure.¹⁴⁴ The scholarly literature on charitable giving identifies “warm glow, prestige, reciprocity, fairness, social pressure, and impact philanthropy” all as explanations for why people donate their time or money.¹⁴⁵ Volunteering can better achieve some of these goals than financial giving.

Some argue that non-monetary donations are a more effective way of signaling one's altruism to other people, certainly more so than anonymous donations.¹⁴⁶ Volunteerism may even have a different moral valence than monetary contributions.¹⁴⁷ There is also evidence that thinking about money and thinking about time activate different emotional goals—with time activating thoughts

140. Cf. Steinberg & Galle, *supra* note 108, at 40 (“The reasons donors provide labour rather than property are not fully understood.”).

141. Alexander L. Brown, Jonathan Meer & J. Forrest Williams, *Why Do People Volunteer? An Experimental Analysis of Preferences for Time Donations*, 65 MGMT. SCI. 1455, 1455 (2019).

142. Compare Tore Ellingsen & Magnus Johannesson, *Time Is Not Money*, 72 J. ECON. BEHAV. & ORG. 96, 97 (2009) (showing that in lab experiments, many people do not demand compensation for their time but they do for their monetary investment), with Thomas K. Bauer, Julia Bredtmann & Christoph M. Schmidt, *Time Vs. Money—The Supply of Voluntary Labor and Charitable Donations Across Europe*, 32 EUR. J. POL. ECON. 80, 80 (2013) (“[W]e document a positive correlation between time and money contributions on the individual as well as on the country level. In addition, we find evidence that individuals substitute time donations by money donations as their time offered to the market increases.”).

143. See Brown, *supra* note 141, at 1465.

144. *Id.* at 1456.

145. *Id.*

146. See Tore Ellingsen & Magnus Johannesson, *Conspicuous Generosity*, 95 J. PUB. ECON. 1131, 1132 (2011) (developing model predicting prevalence of volunteering for this reason).

147. See Americus Reed II, Karl Aquino & Eric Levy, *Moral Identity and Judgments of Charitable Behaviors*, 71 J. MKTG. 178, 181 (2007) (finding that those with a strong sense of moral identity believe that volunteering is more moral than giving money).

about happiness and money activating thoughts about goal achievement—further suggesting that the two are imperfect substitutes.¹⁴⁸

Economists have extensively studied whether financial contributions and volunteerism are substitutes or complements.¹⁴⁹ The answer depends on whether reducing the price of charitable donations of cash or property (such as by providing an income tax deduction) will also increase volunteerism—in which case the two are complements—or whether it will reduce volunteerism—in which case the two are substitutes.

Some of the early scholarship in this area found that both financial giving and volunteerism increased as the price of financial giving fell, suggesting giving and volunteering are complements.¹⁵⁰ But other work found that financial contributions and volunteering are substitutes.¹⁵¹ This seeming inconsistency in the research can be resolved by noting that a fall in the price of giving leads to both an “income effect” and a “substitution effect.” For example, assume that donations are not deductible and that a potential donor receives a wage of \$20 per hour (after tax). Suppose she donates \$100 to her local food bank, and she volunteers for five hours. Since her wage is \$20, then the price of making a \$100 cash donation is five hours of work. If her cash donation becomes deductible and her tax rate is 40%, then the after-tax price of her donation is now \$60, not \$100—she is \$40 richer than before. Since she is now richer than she was before, she will increase the amount that she spends (in time and cash) on the things that she cares about, such as the work of the food bank. This is the income effect.

But making the cash contribution deductible also changes the price of volunteering. Making a \$100 deductible donation costs her \$60, after tax, meaning that the price of making that donation is only three hours of work. This would cause her to volunteer less and to donate more in cash to provide any fixed amount of support to the food bank. This is the substitution effect.

148. Wendy Liu & Jennifer Aaker, *The Happiness of Giving: The Time-Ask Effect*, 35 J. CONSUMER RSCH. 543, 545 (2008).

149. See Aprill, *supra* note 87, at 862.

150. See e.g., David G. Tuerck, *America's Volunteers Deserve a Tax Break*, WALL ST. J., Apr. 28, 1997, at A18 (citing CHARLES T. CLOTFELTER, FEDERAL TAX POLICY AND CHARITABLE GIVING (1985)); Eleanor Brown & Hamilton Lankford, *Gifts of Money and Gifts of Time Estimating the Effects of Tax Prices and Available Time*, 47 J. PUB. ECON. 321, 321 (1992) (“The tax price of money giving is significant in all equations, with estimated elasticities of -1.7 for money giving, - 2.1 for women’s time, and -1.1 for men’s time. The complementarity between volunteer labor and cash donations suggests that the effect of tax policy on philanthropy is understated by considering monetary donations alone.”); Apinunmahakul, Barham & Devlin, *supra* note 29, at 77 (indicating contributions are complements, especially for employed people, and donations of employed men are crowded out by government spending); Richard F. Dye, *Contributions of Volunteer Time Some Evidence on Income Tax Effects*, 33 NAT’L TAX J. 89, 91 (1980) (estimating a cross-price elasticity of -0.136.); Paul L. Menchik & Burton A. Weisbrod, *Volunteer Labor Supply*, 32 J. PUB. ECON. 159, 176 (1987) (illustrating that time donations are negatively related to the after-tax wage rate and price of monetary giving, respectively with elasticities of -0.41 and -1.2).

151. Brian Duncan, *Modeling Charitable Contributions of Time and Money*, 72 J. PUB. ECON. 213, 214, 238 (1999) (“[T]he voluntary labor supply literature has concluded that charitable gifts of time and money are gross complements. The model developed in this article suggests just the opposite, that gifts of time and money are perfectly substitutable.”).

If the income effect dominates, then a tax incentive for financial giving will increase both contributions and volunteerism as the taxpayer has more disposable income to spend. If the substitution effect dominates, then a tax incentive for financial giving will reduce volunteerism as the cost of donating falls. Although theory is ambiguous as to which effect dominates, recent research has found that providing a subsidy for giving increases volunteerism—which is to say that the income effect tends to dominate.¹⁵²

We note that our proposal (discussed in more detail below) limits the creditable donation to \$500 and is designed to target lower- and middle-income households that typically neither contribute financially nor volunteer.¹⁵³ Thus, it is likely, and our survey evidence suggests, that the substitution effect will be weak as our target group does not provide a fixed amount of support.¹⁵⁴ Instead, they will be incentivized to begin contributing financially, which may induce volunteering both to ensure that the resources are effectively deployed and also because the donor now has a vested financial interest in the success of the organization.

In the first estimates of the effect of giving subsidies on volunteerism that do not conflate the income effect with the price effect, researchers found that the income effect dominates,¹⁵⁵ and estimated that eliminating the charitable deduction would reduce financial gifts by 5.7% and volunteer labor by 0.7%.¹⁵⁶ They also found that making donations deductible to nonitemizers would increase financial contributions by 3.0% and volunteer hours by 0.6%.¹⁵⁷ More recent work finds that reducing the tax price of cash donations increases both giving *and* volunteerism, but that time and money are substitutes, in the technical sense that reducing the price of giving would reduce the amount of volunteering if we could hold income fixed.¹⁵⁸

But if all that matters is that subsidies for financial giving increase volunteerism, what difference does it make that the income and substitution effects cut in opposite directions? It matters because of how the tax deduction is funded. If the charitable deduction were funded by increasing—or holding constant—the overall tax liability for people who took the deduction, the income effect would

152. Feldman, *supra* note 27, at 109.

153. See discussion *infra* Section V.A.

154. See discussion *infra* Part IV.

155. James Andreoni, William G. Gale & John Karl Scholz, Charitable Contributions of Time and Money 2 (July 1996) (unpublished working paper) (on file with author) (“Like previous papers on volunteer labor, we find that on average gifts of time and money are gross complements. Using a compensated (Hicksian) notion of substitution, however, gifts of time and money are substitutes.”).

156. *Id.*

157. *Id.* Their estimates of the price and income elasticities of giving are smaller than most in the literature, due to an assumption about the form of individuals’ utility functions. *Id.* at 5.

158. See Feldman, *supra* note 27, at 109

[H]ouseholds that receive a tax subsidy for monetary contributions...are 50 percent more likely to seek out volunteering opportunities on their own accord (18.2 percent as opposed to 12.2 percent), and this holds even when controlling for a number of other relevant factors. In addition, these households tend to volunteer for a larger number of organizations and are also more likely to volunteer on a regular monthly or weekly basis (47.1 percent as opposed to 40.0 percent) as compared to other households that are more likely to volunteer on an ad hoc basis.

disappear and the substitution effect would lead to a reduction in volunteerism. To get the benefits of the deduction on volunteerism, the deduction needs to be financed by increasing taxes on other people, either current taxpayers or future taxpayers by borrowing to fund the reduction in revenues, or by cutting government spending on people other than those who take the deduction.¹⁵⁹

3. *Contributions and Taxes*

Evidence about the relationship between charitable contributions and volunteerism, and civic and political participation more generally, raises questions about whether paying taxes has a similar effect. The argument would typically run as follows. Individuals who pay taxes ought to be interested in whether their contributions are being properly managed and will therefore have a greater incentive to monitor government officials and to influence the political process to ensure that their funds are used according to their preferences.¹⁶⁰ This argument has greater force in the case of state and local taxes, where the taxpayer has easier access to their representatives.¹⁶¹ Professor Stark has argued that since state and local tax payments are fundamentally similar to charitable contributions, they should be treated in the same way (i.e., both deductible or neither deductible) for federal income tax purposes.¹⁶² Both kinds of payments fund the provision of public goods and provide income and social support for lower-income households, effecting redistribution.¹⁶³

And, indeed, some have speculated that it is important for people to pay taxes so that they have “skin in the game,” and are therefore more willing to monitor the overall size of government.¹⁶⁴ Disagreements about this claim tend to revolve around whether low- and middle-income households who do not pay income taxes nevertheless do have a reason to monitor government spending and be engaged in fiscal matters because they pay other taxes and forms of social contributions, such as sales taxes, property taxes, and payroll taxes.¹⁶⁵ Professor

159. *Id.* at 121–22.

160. Cf. Michael L. Ross, *Does Taxation Lead to Representation?*, 34 BRIT. J. POL. SCI. 229, 229 (2004); Ariel Jurow Kleiman, *Impoverishment by Taxation*, 170 U. PENN. L. REV. 1451 (2021).

161. The same argument could apply to the payment of federal income taxes as well, but in addition to the problems of access, the relative size of any one person’s contributions to the federal budget is much smaller than their contribution to the budget of a state and local government.

162. Kirk J. Stark, *The Power Not to Tax*, 69 AM. U. L. REV. 565, 610 (2019) (outlining an approach that treats state and local taxes and charitable contributions both as “social contributions”).

163. *Id.* at 585.

164. Curtis S. Dubay, *More People Should Pay Taxes*, HERITAGE FOUND. (Sept. 19, 2012), <https://www.heritage.org/taxes/commentary/more-people-should-pay-taxes> [<https://perma.cc/MXJ2-HFVD>] (“Taxes are fostering dependence by exempting too many from the cost of government. They should be changed so more people have a stake in the size of government.”).

165. Phil Oliff, *“Skin in the Game” No Excuse for Taxing the Incomes of Poor Families*, CTR. ON BUDGET & POL’Y PRIORITIES (Apr. 5, 2012), <https://www.cbpp.org/blog/skin-in-the-game-no-excuse-for-taxing-the-incomes-of-poor-families> [<https://perma.cc/KT25-KKYE>] (“In recent years, a range of policymakers, political candidates, and commentators have questioned the wisdom of those [income tax] exemptions. They argue that everyone should have some ‘skin in the game’ when it comes to paying for public services. These arguments are off base.”).

Zelenak has argued that filing a tax return can facilitate improved “fiscal citizenship” by “recognizing and formalizing the financial responsibilities of citizenship.”¹⁶⁶

One important difference between state and local tax payments and charitable contributions, of course, is that the former are coerced expenditures while the latter are voluntary. Although this difference may not matter for their proper treatment under federal income tax law,¹⁶⁷ it will likely affect the consequences of the payment being deductible. A person who makes a voluntary charitable contribution reveals that the benefits of doing so are greater than the opportunity cost of using those funds for some other purpose. A person who pays their taxes reveals only that they prefer doing so to engaging in criminal tax fraud or to moving out of the tax jurisdiction, and either option can involve incurring significant costs. Certainly, one cannot say that everyone who pays taxes does so because they prefer the services that are funded with their taxes to what they would do with their tax dollars if they were not compelled to remit them to the government.

For this reason, we would expect to see correlations in the data between the charities to which someone gives money and the charities to which they give their time if only because donations of both money and time are ways of helping a charity provide the services that the donor wants to see provided. By contrast, a taxpayer may view her entire tax payment as a loss, and not care at all about the goods and services provided by the government, in which case there is no reason to expect that paying taxes will be associated with greater political participation.

IV. EVIDENCE CONNECTING CHARITY AND CIVIC ENGAGEMENT

We have argued that charitable tax incentives can lead to both increased financial giving and volunteerism and that this in turn can lead to greater civic engagement and stronger community ties. In this Part, we report new empirical evidence to support these claims. Using data from the U.S. Census as well as the results of a new, nationally representative survey that we conducted to address these questions, we paint a detailed picture of the relation among giving, volunteering, and community and civic engagement.

We find that volunteerism is associated with greater civic and political engagement, and the relation is plausibly causal. This is important because existing research demonstrates that tax incentives increase charitable giving and volunteerism. We also map the relation between income and engagement over different income levels. Across all measures of civic and political engagement, higher

166. LAWRENCE ZELENAK, *LEARNING TO LOVE FORM 1040: TWO CHEERS FOR THE RETURN-BASED MASS INCOME TAX* 4 (2013). For a discussion of the related controversy around Senator (then presidential candidate) Mitt Romney’s remarks about the fact that 47% of households in the United States do not pay income tax, see Lawrence Zelenak, *Mitt Romney, the 47% Percent, and the Future of the Mass Income Tax*, 67 *TAX L. REV.* 471, 471–73 (2013).

167. *Cf.* Stark, *supra* note 162.

incomes are associated with greater engagement. This evidence is crucial in informing our proposal in Part V of a tax incentive for giving to target lower-income households, which are the least engaged in their communities.

A. *Data*

Our study of charitable donations, civic and community engagement, relies on data from two sources: the U.S. Census, and a newly commissioned survey that we conducted for the purpose of this Article that allows us to answer exactly the questions that are our focus. We begin by describing these two data sources.

In 2017, the U.S. Census, the U.S. Bureau of Labor Statistics, and the Corporation for National and Community Service jointly conducted a supplemental survey to accompany its annual Current Population Survey (CPS).¹⁶⁸ The CPS is a labor force survey with a variety of questions about employment status. The 2017 supplement—the “Volunteering and Civic Life Supplement”—includes questions about volunteerism and civic and political engagement.¹⁶⁹ Respondents were interviewed between September 10–19, 2017, about their volunteer and other activities over the prior twelve months. In addition to answering questions about volunteerism, political and civic engagement, the data include demographic, geographic, lifestyle and other variables.¹⁷⁰ The U.S. Census Bureau and the U.S. Bureau of Labor Statistics selected a sample of 56,000 households and sampled all persons sixteen years old or older.¹⁷¹ Of the population of 147,268 surveys, we examine only completed surveys, leaving a sample of 115,280.¹⁷²

In addition to information about respondents’ volunteerism over the prior year, the data include responses to several questions that we use to measure civic and political engagement. Details about these questions are provided in Table 1, in the appendix. Our proxies for civic engagement include questions about how often the respondent spent time with friends, had a conversation or spent time with neighbors, did or received a favor from a neighbor, spent time with people from a different racial or ethnic or cultural background, gathered with neighbors to do something for the neighborhood or community, and whether the respondent belonged to a group or organization. Our measures of political engagement include how often the respondent consumed news and discussed political or social issues with friends, family, and neighbors or shared their views on the internet or social media, as well as whether they voted in local elections, attended public meetings or contacted elected officials, or participated in a boycott of goods or services because of political values. Although these measures do not capture all

168. *Current Population Survey, September 2017: Volunteering and Civic Life Supplement User Guide (ICPSR 37303)*, NAT'L ARCHIVE OF DATA ON ARTS & CULTURE (May 20, 2019), <https://doi.org/10.3886/ICPSR37303.v2> [<https://perma.cc/9TW4-8J7N>] [hereinafter CPS User Guide].

169. *Id.* at 1–1. The Civic Life survey had not been conducted before, so we cannot describe how our measures changed over time. The BLS did conduct “civic engagement” surveys in 2008–2011 and 2013.

170. *Id.* at 2–1.

171. *Id.* at 1–1.

172. *See id.* at 3–2.

aspects of civil and political engagement, taken together they capture important aspects of it.

As seen in Table 1, some of the questions required simple yes/no responses while others asked the respondent to estimate the amount of their engagement. The yes/no questions are represented by “indicator variables” in our tables (i.e., they have a value of 0 for “no” and 1 for “yes”), while the other questions are represented by “categorical variables” that have values between 0 and 5. For example, responses to the question “How often did you discuss political, societal, or local issues with your neighbor” could be one of the following: “Not at all” (0), “Less than once a month” (1), “Once a month” (2), “A few times a month” (3), “A few times a week” (4), or “Basically every day” (5). For all our engagement variables, higher values correspond to greater engagement.

The CPS supplement is the largest publicly available dataset on volunteerism and civic and community engagement.¹⁷³ The data, however, were not designed to identify causal links.¹⁷⁴ For example, we can identify whether people who tend to volunteer also tend to be civically engaged, but this does not suggest that a policy to increase volunteering will also lead to greater engagement. Nor does the CPS ask questions about the benefits of volunteerism—such as stronger community ties and the acquisition of skills—that we think justify a tax subsidy for giving that is a gateway to volunteerism. As a result, we conducted an original survey (the “HH survey”) of a nationally representative panel of respondents to shed light on these questions.

The HH survey was administered in January of 2022 to respondents selected to match the U.S. census in terms of the gender, race/ethnicity, household income, and political affiliation of the U.S. population. Only U.S. citizens at least eighteen years old were included. After dropping forty responses for failing quality screens, our final sample includes 1,016 respondents.¹⁷⁵ In the sections below, we report our HH survey results for both this entire sample, as well as those who reported a household income of less than \$75,000 (low- and middle-income or “LMI” households).

B. *Financial Giving and Volunteerism*

We have already discussed extant literature indicating that tax incentives can affect giving. When asked directly about this link, 64% of all respondents in the HH survey said that tax incentives are at least somewhat important in their charitable giving decisions. We find that 62% of LMI households agreed, indicating that tax incentives also matter for households at lower income levels.

173. *See id.* at 2–1.

174. *See id.*

175. In particular, we dropped 19 responses that reported a survey length less than half the median, 11 responses for reporting an age inconsistent with education (e.g. a 21 year old reporting a doctorate degree), 7 for reporting an invalid IP address, 6 for reporting inconsistent ethnicities (e.g. “White”, “Black” and “American Indian”), and 3 for reporting implausible ages (e.g. 16412 years old). These totals do not sum to 40 as many respondents violated more than one data check. The survey included additional screens (such as clicking the same response or other patterns), but no violators were identified in these checks.

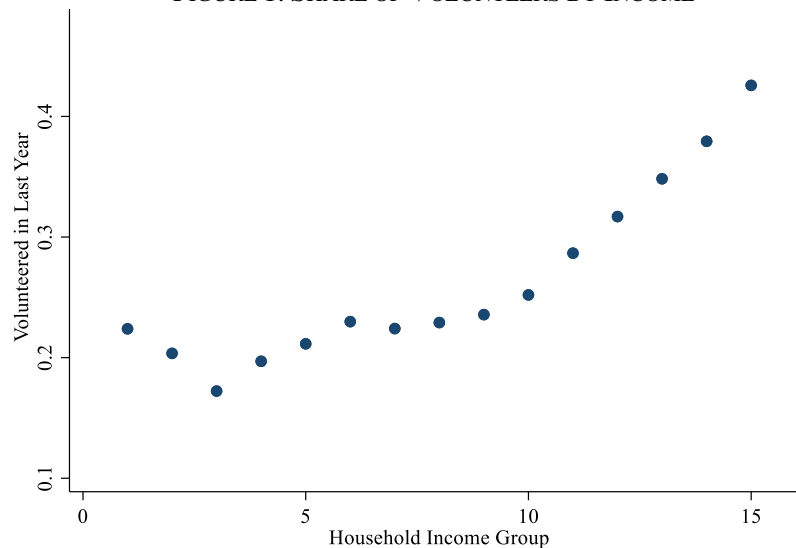
In Section III.C., we explained how an increase in monetary donations induced by tax incentives could lead to either more or less volunteerism. When asked whether giving money to a non-profit would affect whether they would volunteer for the same nonprofit, 27% of HH survey respondents reported that it would make it more likely that they would volunteer and only 11% said that they would be less likely to volunteer (62% said that it would have no effect). And 24% of LMI households said that they would be more likely to volunteer, while 14% said that they would be less likely to volunteer. In short, our respondents were more than twice as likely to increase volunteerism as they were to decrease volunteerism because of donating. Moreover, when asked about the most important factors for why people decided to volunteer, 54% identified that they were already giving money to the organization, suggesting that some households probably start making financial donations first, before becoming more involved in the organization by volunteering. This is consistent with data collected by Fidelity, finding that most donors support a charity financially before volunteering.¹⁷⁶ In a survey conducted in March 2020, Fidelity found that more than 75% of financial donors say that the amount of their donations is unaffected by whether they volunteer or not, suggesting that, if anything, giving typically causes volunteering rather than the reverse.¹⁷⁷

Figure 1 plots data from the CPS to show how the probability of having volunteered in the last year varies with household income. We divided survey respondents into sixteen equal groups based on their incomes, and the graph shows volunteerism for each group. We note that there is some variation at lower income levels, but the likelihood of volunteering clearly increases with income, with the share of respondents in the highest income brackets approaching 50%.

176. See *The Role of Volunteering in Philanthropy*, FIDELITY CHARITABLE 3, <https://www.fidelitycharitable.org/content/dam/fc-public/docs/resources/the-role-of-volunteering-in-philanthropy.pdf> (last visited June 4, 2023) [<https://perma.cc/D6PA-XJR2>].

177. See *id.* at 9.

FIGURE 1: SHARE OF VOLUNTEERS BY INCOME



We also used the CPS data to estimate a regression model of the relationship between volunteerism and income, education, age, gender, the number of hours worked, race, citizenship status, marital status, geographic region, and whether the respondent had children.¹⁷⁸ We find that the probability of volunteering is higher for women, older and more highly educated respondents, and those with children. The more hours that the respondent works the less likely they are to volunteer.

Our analysis in Part III anticipated that volunteerism would increase with income. One possible cause of this pattern is the charitable deduction. Taxpayers with higher incomes benefit more from the charitable deduction, and their financial giving may lead to increased volunteerism. At least as importantly, we suspect, is that individuals at higher incomes can afford to engage in more unpaid labor. Higher-income households may also be the target of greater outreach by organizations and associations.

It is important to note that the CPS measures of volunteering capture only a fraction of unpaid labor that benefits the broader community.¹⁷⁹ The CPS asks not only whether the respondent has volunteered for an organization or association in the prior year, but also asks several follow-up questions about involvement with particular kinds of organizations that should prompt recollection of time spent doing work that may not have immediately occurred to the respondent.¹⁸⁰ Nevertheless, the questions are designed to capture only volunteering for *organizations*, and so they may omit volunteering that happens in less formal settings, such as providing childcare for a neighbor or relative, and it does not

178. See *infra* Appendix.

179. See generally CPS User Guide, *supra* note 168.

180. See *id.* at 8–8.

address at all unpaid labor for one's immediate family such as caring for elders, sick, or disabled family members, which most people would not describe as volunteering. We can only speculate about how any measurement error here may or may not be correlated with income. But, we do note that our focus is on engagement outside the family.

We have argued that volunteering is a good entry point into greater civic and political engagement—and discuss this in greater detail in the next Section—but also that it provides numerous other benefits. We asked respondents to the HH survey about their volunteering experience and 70% indicated that volunteering provided tangible benefits such as learning new skills, making new social connections, or meeting people who could help them with their own issues. A full 55% of respondents said that they derived positive emotional benefits, feelings of being respected, or becoming more confident because of their volunteer experience. And 50% reported that they met people with different political or social views, or from different races or ethnicities.¹⁸¹ We take this evidence as confirmation of the benefits of volunteerism, the intrinsic and instrumental benefits as well as the social benefits of increasing social/political and racial integration.

C. *Community Ties and Civic Engagement*

In this section, we first describe the evidence on volunteerism and civic engagement from the CPS. The data do not allow us to identify whether volunteerism causes increases in civic and community engagement, but they paint a rich picture of how volunteerism and civic engagement are distributed across different demographic groups. We then report results from the HH survey shedding light on the causal channels from giving and volunteerism to civic engagement and community membership.

1. *CPS Data*

As one might expect, the CPS measures of civic engagement and measures of political engagement are positively correlated. People who spend more time with friends and neighbors also are more likely to work with others to improve their communities, be part of a group or association, and spend time with people from other races or cultures.¹⁸² Similarly, people who discuss politics and social issues with friends, family, and online, also tend to vote in local elections, attend public meetings, and be in contact with their local officials.¹⁸³ Table 2 reports pairwise correlations among the CPS measures of civic and political engagement. Although the correlations among the different measures are statistically significant, the size of the correlations are modest, indicating that each captures a unique dimension of civic and political engagement.

181. Results were almost identical for LMI households. *See infra* Table 4.

182. *See infra* Table 4.

183. *See infra* Table 5.

The first evidence that civic and political engagement is associated with volunteerism can be seen in Table 3 in the appendix, which reports CPS summary statistics for our various measures of engagement separately for people who volunteered in the prior year and those who did not. The last column shows the difference in average values of the engagement variables by volunteer status, with the stars next to the numbers indicating that the differences are statistically significant—i.e., that the observed differences in civic engagement across volunteer status are unlikely to be due to chance. In all tests, the measures of civic (Panel A) and political (Panel B) engagement are higher for volunteers than non-volunteers and statistically significant.

Why is it that volunteers are also more involved in civic and political life? We note a few possibilities. Some people could be more likely to engage in all these activities because of their life stage, educational attainment, income, gender, or family composition. Also, by bringing together people from diverse backgrounds, volunteering could instill a heightened sense of community engagement and mission of the organization, prompting them to become more active politically to help the organization. Alternatively, perhaps the desire starts with community engagement and leads to volunteering. For example, perhaps people get involved in politics and spend significant time with friends and neighbors which connects them to charitable networks and other organizations that they end up volunteering for.

The CPS data were not designed to determine which explanation dominates. We can, however, account for a wide variety of factors that could cause someone to both volunteer and exhibit greater civic engagement and isolate just the causal relationship—if any—between the two. To do so, we estimate a series of multivariate regressions designed to test the relationship between volunteerism and our measures of engagement while controlling for factors that are associated with both.¹⁸⁴

Table 4 in the appendix reports our estimates of the relationship between volunteerism and the measures of engagement.¹⁸⁵ Our focus is on the relationship between volunteering on engagement. Looking at the first row of the table, we can see that volunteerism has a positive and statistically significant relationship with engagement—even after controlling for many demographic characteristics and income. Since some of the civic engagement variables are categorical variables with values between 0 and 5, it can be difficult to interpret the size of the estimates in row 1. To better understand just how close the relationship between volunteering and engagement is, the last row of Table 4 reports the estimated coefficient on volunteerism as a percentage of the average of the civic

184. Specifically, we estimate the following regression equation for each engagement variables (denoted EV_i), where VOL_i indicates whether the respondent volunteered in the prior year, X_i is a vector of controls (age, gender, education, work hours category, children) and Y_i is vector of fixed effects (race, citizenship, income, interview type, geographical location, population category, and marital Status): $EV_i = \beta_0 + \beta_1 VOL_i + \gamma X_i + \rho Y_i + \epsilon_i$. See *infra* Figures 1–3.

185. See *infra* Table 4. We use ordinary least-squares regressions in Tables 4–6, even though the outcome variables are binary and one might wonder whether non-linear models would generate different estimates. For this reason, we estimated logistic models as well and find similar results. See *infra* Table 4.

engagement variable. The correlation is relatively large. For example, volunteering is associated with a 40.3% increase in the variable capturing the exchange of favors with neighbors. Volunteerism more than doubles the probability of being engaged in neighborhood improvement and increases by 86.2% the likelihood of belonging to an organization.

Looking at the other variables in these regressions, we see that demographics have a strong relationship with civic engagement. People with children are more likely to spend time with friends and neighbors, do favors for neighbors, and engage in neighborhood improvement, although they have less time to be members of associations and organizations. Plausibly these effects are due to the social opportunities created by children's activities. People who work longer hours tend to have less time for gathering with friends and neighbors, but they too interact more with people who are culturally different from them.¹⁸⁶ More educated individuals spend less time with friends, but they are otherwise more civically engaged, being more likely to spend time with neighbors, work for neighborhood improvements, and belong to associations. They are also more likely to interact with people from different races, ethnicities, and cultures.¹⁸⁷

Is volunteerism also associated with political activity? Table 5 reports estimates similar to those in Table 4, only for our political engagement variables. Again, the numbers in the first row show that people who volunteer are more likely to be politically engaged across all measures of engagement, and this positive effect is very unlikely to have arisen by chance. The effects are also quite large. The final row reports the estimated coefficient of volunteering on political engagement as a percentage of the average values of the political engagement variables. If someone has volunteered in the prior year, this more than doubles the probability that they will also have attended a public meeting, contacted an elected official, or participated in a boycott. Volunteering is also associated with a 30.9% increase in the probability of voting in a local election.

Overall, these tables indicate that, after controlling for a variety of personal and geographic characteristics, those individuals who volunteer are more likely to engage in civic and political actions and activities. We cannot say for certain whether volunteering causes someone to be engaged in these ways—that is the purpose of the HH survey, which we discuss next—but the correlations between volunteerism and political engagement are strong and persist even when we control for many other factors.

One of these factors is of particular interest: income. One reason for wanting to know the relationship between income and civic/political engagement is what it might reveal about low- and middle-income households: how connected are they to their communities and neighbors, including those from different races, cultures, and ethnicities? How politically involved are they and are their interests represented in political processes? The second reason to focus on how income is associated with civic and political engagement is that it can tell us something

186. *See infra* Table 4.

187. *See infra* Table 5.

about how tax incentives would need to be targeted to have the greatest effect on engagement.

Figures 2 and 3 show how the amount of time people spent with others from a different race, ethnicity, or culture, and the fraction of people who voted in the last election, vary with household income. In each figure, household income has been divided into sixteen different categories, with the lowest category representing incomes of less than \$5,000 and the highest income category representing incomes of at least \$150,000.

FIGURE 2: TIME SPENT WITH SOMEONE FROM A DIFFERENT CULTURE BY INCOME

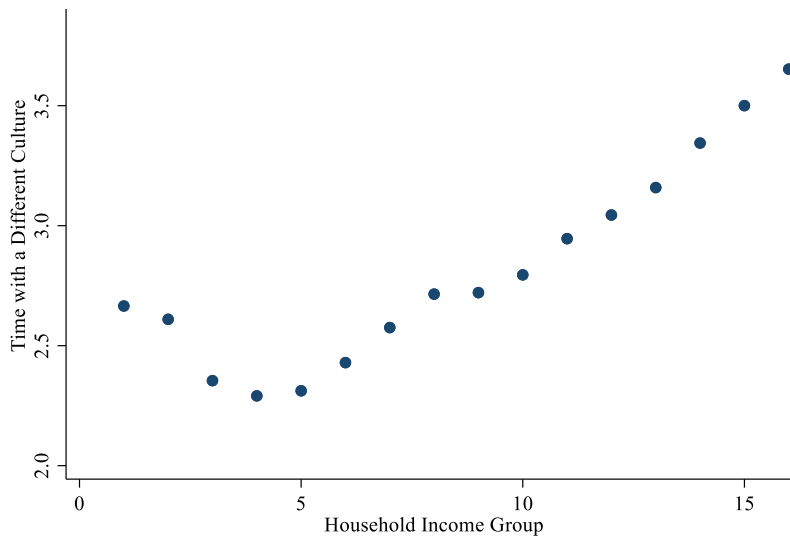
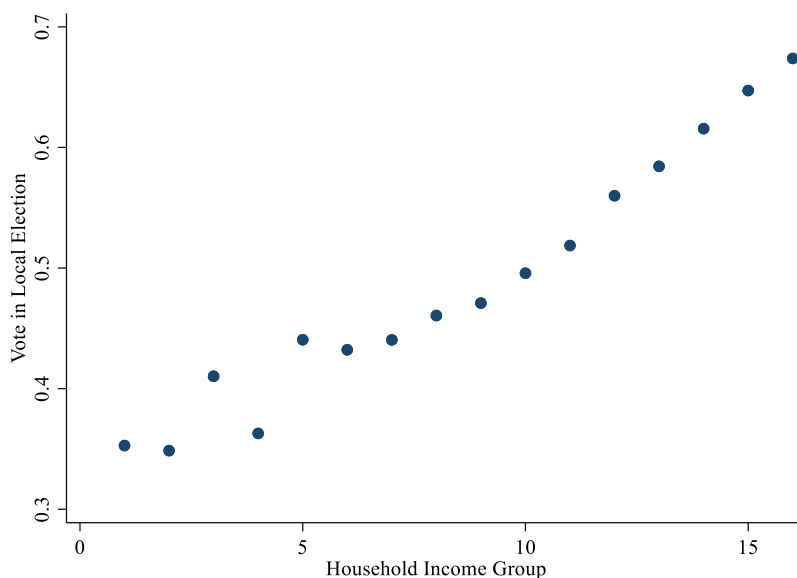


FIGURE 3: SHARE OF VOTERS IN LOCAL ELECTION BY INCOME



These figures are merely illustrative because *all* measures of civic and political engagement are increasing in household income.

Thus, there is the greatest room for improvement in civic and political engagement among low- and middle-income households. We might expect, because of these numbers, that these households suffer more from the alienation that scholars associate with being isolated from community life, and that their interests would not be as well represented in politics. Although civic and political engagement is lowest for individuals with lower household incomes, is there reason to think that increasing volunteerism for low and middle-income households would influence engagement? Our estimates for the effect of volunteerism in Tables 4 and 5 report the effect based on all survey respondents, across a wide range of incomes. Is this effect being driven by high-, middle-, or low-income individuals?

To explore how the relationship between volunteerism and engagement varies with income, we estimate the same regression model as in Tables 4 and 5 separately for each of five income groups: \$0-\$25,000; \$25,000-\$50,000; \$50,000-\$75,000; \$75,000-\$100,000; > \$100,000.¹⁸⁸ In Table 6, we report the correlation between volunteerism and engagement for each of these five income groups, across all of our engagement variables. For all forms of political engagement, volunteerism has a stronger association for people with lower incomes than those with higher incomes. For example, volunteerism is associated with a 31% to 33% increase in voting for individuals with incomes below \$75,000 but only a 24% to 25% increase in voting for those with incomes above \$75,000.

188. See *infra* Table 6.

The relationship between volunteerism and civic engagement tends to be stronger for lower-income households, although certain forms of engagement have a strong relationship with volunteerism for high-income individuals as well. For example, volunteerism has its biggest effect on spending time with neighbors or exchanging favors with neighbors for people whose income is below \$25,000, but the second biggest effect is for individuals with incomes above \$100,000. Volunteerism has the biggest effect on how much time one spends with people from other cultures for individuals with incomes below \$25,000 or in the \$50,000 to \$75,000 range.

This is encouraging. Not only is volunteerism reliably associated with civic and political engagement across all our measures of engagement, but the relationship between volunteering and engagement is the strongest among the lowest-income households. Given the low initial starting point for civic and political engagement among low- and middle-income households, this means that there is both the most room for growth in engagement among these households and the greatest potential to create that growth through encouraging volunteerism. In the next Part, we describe our proposal to realize that potential.

2. *HH Survey Data*

While the CPS data allow us to explore the correlations between household demographics, volunteerism, and civic engagement, the CPS does not readily permit us to draw causal conclusions. Ideally, we would randomly separate a large group of individuals into a treatment and control group and alter the incentives for financial giving and volunteering for the treatment group to see if it altered their civic engagement (relative to the control group). Since that is not feasible, we have done what we think is the next best thing and asked people. We begin by describing what people report as the benefits of making charitable donations.

Financial giving might seem to be a mostly passive activity, with few effects on the donor herself. And yet, 30% of our respondents said that giving to a nonprofit encouraged them to become more politically engaged or advocate in their community for the nonprofit. Further, 41% reported feeling invested in the mission of the nonprofit, and 64% said that they “found a sense of community” through their experience of being a donor. Results were similar for LMI households. Thus, even setting aside any effects of giving on volunteerism, it appears that giving itself can draw people into greater civic engagement and community.

Volunteering has an even larger effect on civic engagement and community membership. 39% of our respondents reported that volunteering made them become more politically engaged or an advocate for their organization in the community. 45% reported becoming invested in the mission of the nonprofit and 68% said that they found a sense of community through volunteering.

We followed up on these questions by asking in a slightly different way: “Has donating or volunteering with a religious organization, school, charity or other nonprofit been one of the reasons that you have been active in politics?” 24% said that “donating to a nonprofit has made me become more engaged in

politics” and 26% said that “volunteering at a nonprofit has made me become more engaged in politics.” For LMI households, 28% of respondents said that giving had an effect on their political activity and 28% said that volunteering had that effect. Taken together, we observe a sizeable share of our respondents who were moved to greater political engagement and a stronger connection to their community through charitable giving and volunteering.

V. A COMMUNITY CONTRIBUTION CREDIT

In this Part, we describe our proposal for a new tax credit for community contributions. The credit is designed to achieve a set of objectives: increasing volunteerism and the civic and political engagement of donors, democratizing the tax subsidy for charitable giving, repositioning low- and middle-income households vis-à-vis charities to be donors as well as clients, and reducing income inequality. Our Community Contribution Credit would make progress in achieving all of these goals, and for that reason, we prefer it to proposals that are narrowly tailored to achieve greater volunteerism or civic engagement, such as a tax credit or deduction for donated labor.

A. *The Proposal*

We propose that all taxpayers whose adjusted gross income is below the national median receive a refundable tax credit known as the Community Contribution Credit (CCC), equal to 90% of their contributions capped at \$500, for donations to Section 501(c)(3) public charities.¹⁸⁹

The benefits of a credit as compared with a deduction—primarily the fact that the value is independent of the taxpayer’s marginal tax rate—have made it a recurring proposal from both political progressives and conservatives.¹⁹⁰ Many economists¹⁹¹ and legal scholars have argued for a tax credit for charitable

189. See I.R.C. § 501(c)(3) (listing tax exempt organizations).

190. See, e.g., John S. Barry, *How a Flat Tax Would Affect Charitable Contributions*, HERITAGE FOUND., Dec. 16, 1996, at 18–19 (discussing proposal by Senator Dan Coats (R-IN) to provide a \$500 tax credit for donations to human service charities); Gary Klott, *A Closer Look at Dole’s Economic Package*, CHI. TRIB., Aug. 20, 1996 (¶ 6), at 5; Martin A. Sullivan, *Dole to JCT: Fill in the Blanks*, TAX NOTES, Aug. 22, 1996, at 2; NAT’L COMM’N ON FISCAL RESP. AND REFORM, *THE MOMENT OF TRUTH* 31 (2010) (describing 12% non-refundable charitable tax credit available to all taxpayers). There have been a handful of proposals for charitable contribution tax credits in recent years. For example, H.R. 4702 introduced in 2010 would have allowed a credit for up to \$1,000 of charitable contributions. H.R. 4702, 111th Cong. (2010).

191. See, e.g., WILLIAM VICKREY, *AGENDA FOR PROGRESSIVE TAXATION* 131 (1947); Murray L. Weidenbaum, *The Advantages of Credits on the Personal Income Tax*, 42 GEO. WASH. L. REV. 516, 521–25 (1974); Harold M. Hochman & James D. Rodgers, *The Optimal Tax Treatment of Charitable Contributions*, 30 NAT’L TAX J. 1, 7 (1977); Richard H. Thaler, *It’s Time to Rethink the Charity Deduction*, N.Y. TIMES (Dec. 18, 2010), <https://www.nytimes.com/2010/12/19/business/economy/19view.html> [<https://perma.cc/YPR5-9Y8R>]; see also ROB REICH, *JUST GIVING: WHY PHILANTHROPY IS FAILING DEMOCRACY AND HOW IT CAN DO BETTER* 132–33 (2018) (arguing for a flat, non-refundable credit). For other work arguing to extend charitable giving incentives, see Joey Bloodworth, Note, *Charity for All: A Modern Call for a Renewed Commitment to Charitable Giving*, 93 S. CAL. L. REV. 273, 300–06 (2019).

contributions in lieu of a deduction.¹⁹² Several alternative proposals would also make charitable giving more equitable. These proposals include allowing non-itemizers to deduct their donations,¹⁹³ providing a matching government grant instead of a deduction,¹⁹⁴ or a “stratified deduction,” with taxpayers in middle and lower income brackets being able to deduct more than the amount of their contribution.¹⁹⁵ In fact, the deduction was extended to non-itemizers for a short time from 1983 to 1986.¹⁹⁶ The two primary objections to the policy at that time were the revenue loss and the added administrative complexity from auditing small deductions that may have been fraudulent.¹⁹⁷

These objections are not insurmountable, however. First, and as we discuss below, there are sensible and feasible ways to finance a tax credit for lower income taxpayers. Moreover, understanding that the Community Contribution Credit is a public investment in civic engagement and community life points to the social returns on the investment and economic benefits in terms of reduced social harm and increasing earnings that should offset some of the revenue loss. Second, the administrative costs of ensuring that taxpayers truthfully report the community credit can be managed, and a program the size of our proposed CCC may justify improved reporting processes for charitable giving. For example, donations eligible for the Community Credit in any one year could be limited such that each taxpayer may only claim it for donations to one organization. Donee organizations could be required to register with the IRS and provide a report listing each credit-eligible donation they received that year. These reports could then be electronically matched to the tax reporting of individuals claiming the

192. See, e.g., Richard Gershon, *A Proposed Charitable Contributions Credit: It Is Best to Give and to Receive*, 11 OHIO N.U. L. REV. 75, 83 (1984) (“This article has emphasized that a device producing a tax incentive for charitable contributions must be equitable, efficient, and available to all taxpayers. Thus, a proposal for a charitable credit must be subject to the same scrutiny. The charitable credit will survive such scrutiny.”); Todd Izzo, Comment, *A Full Spectrum of Light: Rethinking the Charitable Contribution Deduction*, 141 U. PA. L. REV. 2371, 2375 (1993) (“[T]his Comment proposes that the current itemized deduction for charitable contributions be replaced by a refundable tax credit available to all Americans, that is, itemizers, nonitemizers, and nonfilers alike.”); James Patrick Huston, Note, *Pauper’s Parity: Taking Away the Fine Print of “Your Contribution Is Tax Deductible”*, 25 GEO. J. ON POVERTY L. & POL’Y 115, 117 (2017) (“The solution proposed by this Note does not replace Section 170, but modifies the Section by creating a Charitable Contribution Credit for lower-income Americans.”); see also Lily L. Batchelder, Fred T. Goldberg Jr. & Peter R. Orszag, *Efficiency and Tax Incentives: The Case for Refundable Tax Credits*, 59 STAN. L. REV. 23, 24–25 (2006).

193. See JT Alston, *The Nonprofit Sector’s Uncertain Future in A Post-TCJA America*, 2018 B.Y.U. L. REV. 859, 867–68 (2018). Extending a limited charitable contribution deduction to non-itemizers was done briefly under the Economic Recovery Tax Act of 1981 and again under the recent CARES Act. *Expanded Tax Benefits Help Individuals and Businesses Give to Charity During 2021*, IRS (2021), <https://www.irs.gov/newsroom/expanded-tax-benefits-help-individuals-and-businesses-give-to-charity-during-2021-deductions-up-to-600-available-for-cash-donations-by-non-itemizers> [<https://perma.cc/J2XQ-CXCZ>].

194. Paul R. McDaniel, *Federal Matching Grants for Charitable Contributions: A Substitute for the Income Tax Deduction*, 27 TAX L. REV. 377, 397–99 (1971).

195. John A. Wallace & Robert W. Fisher, *The Charitable Deduction Under Section 170 of the Internal Revenue Code*, in RESEARCH PAPERS SPONSORED BY THE COMMISSION ON PRIVATE PHILANTHROPY AND PUBLIC NEEDS 2131, 2154 (1977).

196. Joseph Cordes, John O’Hare, & Eugene Steuerle, *Extending the Charitable Deduction to Nonitemizers: Policy Issues and Options*, URB. INST. 1 (May 2000), <https://www.urban.org/sites/default/files/publication/62481/310338-Extending-the-Charitable-Deduction-to-Nonitemizers.PDF> [<https://perma.cc/AE2W-ZYCA>].

197. *Id.* at 2.

credit, similar to how those same organizations report income to employees and contract workers. Although this kind of matching is probably not possible with the current IRS reporting infrastructure,¹⁹⁸ ensuring the integrity of the CCC may be worth the expense.

The tax credit should not reduce the cost of giving to zero, as a 100% credit would do, because many of the positive effects of charitable giving on volunteerism and civic engagement depend on the donor having donated some of her own money. Consider an alternative: a tax credit for 100% of all charitable contributions up to \$500. We would expect that many taxpayers who did not previously donate to charity would donate \$500 as they would receive the same amount back as a tax credit. But that taxpayer may not feel the same sense of responsibility and ownership as the donor that contributed some of her earned income and may therefore be less likely to volunteer to monitor the organization because they do not feel like they have a stake in the organization.

A second important question about eligibility for the CCC is whether it should be limited to 501(c)(3) organizations—or a subset of such organizations—and exclude (as the charitable contribution currently does) social welfare organizations covered by Section 501(c)(4) of the Code, or even political organizations covered by Section 527.¹⁹⁹ The underlying justification for the charitable subsidy should of course influence the kinds of organizations for which donations should count.²⁰⁰ If the justification is income measurement, then the distinction between 501(c)(3) and 501(c)(4) organizations is that donations to the former are less likely to generate a consumption benefit for the donor, whereas social welfare organizations tend to hew more closely to the line in terms of providing benefits on their members.²⁰¹ As Professor Schmalbeck observes in the 501(c)(3) context, “[t]he difficult cases for exclusion are presented by organizations like churches, or by arts organizations. The benefits provided by these organizations are enjoyed largely by the group of contributors.”²⁰² But if the justifications for charitable giving subsidies are social policy, including the positive effects on community building and civic engagement, then this opens the

198. *Id.*

199. See I.R.C. §§ 501(c)(4), 527. For an analysis of whether the tax exemption for social welfare organizations is justified on grounds of political justice, see Hackney, *Political Justice*, *supra* note 16, at 273–74 (2021).

200. Professor Galston has surveyed the regulation of tax-exempt organizations under the Internal Revenue Code and evaluates whether these regulations help or hinder the “civic potential of voluntary associations.” Galston, *supra* note 24, at 291. This depends on which of four perspectives are adopted for valuing voluntary organizations: (1) they build generalized trust for effective collective action (the collective action perspective), (2) they enable freedom and autonomy, (3) they strengthen democratic values by communicating the preferences and priorities of the members of associations, and (4) they build community morality. Galston, *supra* note 24, at 315.

201. See I.R.C. § 501(c)(3)–(4).

202. Schmalbeck, *supra* note 84, at 76. Social welfare organizations can also engage in more political activity than public charities, and disallowing deductible contributions to social welfare organizations is also motivated by the desire not to subsidize political speech. See, e.g., Ellen P. Aprill, *Examining the Landscape of Section 501(c)(4) Social Welfare Organizations*, 21 N.Y.U. J. LEGIS. & PUB. POL’Y 345, 346 (2018).

possibility that donations to 501(c)(4) social welfare organizations should be subsidized too.²⁰³

Social welfare organizations must be devoted to promoting the common good and general welfare of the community, typically through civic betterment and social improvement.²⁰⁴ The most common kinds of social welfare organizations are service organizations, such as the Rotary Club.²⁰⁵ Although social welfare organizations must be focused on civic betterments, this does not include participating in a political campaign. Nevertheless, 501(c)(4) organizations can—and many do—engage in significant lobbying activities and are the object of public suspicion for being conduits for “dark money” in electoral politics.²⁰⁶

Our concern is with the activities of the donee organization, the effects of giving on volunteerism, civic engagement, community-building, and the focus and accountability of the nonprofit sector to low- and middle-income households. Viewed through these sets of concerns, we would limit the CCC to 501(c)(3) public charities.²⁰⁷ Given the role of many social welfare organizations as financial conduits for political influence, we expect that they will be less effective at converting donors into volunteers, that volunteers will be less apt to encounter others with different points of view, and that their activities will be more controversial and divisive.

How to define the set of qualified CCC donee organizations points to a bigger question, affecting not only the substantive merits but also the political feasibility of our proposal. Should the IRS, or some other agency, take an active role in distinguishing between “good” and “bad” organizations? By virtue of being a tax credit, our proposal shifts power about how to determine the allocation of resources to individual citizens. We expect that it will reinvigorate local community organizations. It is fundamentally a democratic move, a delegation of power and resources to lower levels of civic and political activity. But what if that activity is immoral, expressing racial animus, for example?

We have three responses. First, the public policy exception to nonprofit status established in *Bob Jones University v. United States* prevents any

203. Professor Aprill notes that “[m]any agree that our country urgently needs to encourage institutions that foster a community and a civil society,” but notes that they are covered under (c)(4), (7) and (8). Aprill, *supra* note 87, at 866. Interestingly, there is evidence that the availability of a tax benefit for donations to 501(c)(3) organizations may have spillover effects on the amount of non-deductible donations to (c)(4) social welfare organizations. Large subsidies for charitable giving reduce contributions to (c)(4)s, whereas smaller subsidies increase giving. Brian Galle, *The Dark Money Subsidy? Tax Policy and Donations to Section 501(c)(4) Organizations*, 22 AM. L. & ECON. REV. 339, 342 (2020). For an overview of (c)(4) organizations, see Aprill, *supra* note 202, at 350.

204. Ellen P. Aprill, *Nonprofits Helped Organize the Pro-Trump Rally Before the Capitol Siege—But They Probably Won’t Suffer Any Consequences*, CONVERSATION (Jan. 15, 2021, 12:09 PM), <http://theconversation.com/nonprofits-helped-organize-the-pro-trump-rally-before-the-capitol-siege-but-they-probably-wont-suffer-any-consequences-153271> [<https://perma.cc/5DMS-YXD5>]; Treas. Reg. § 1.501(c)(4)-1(a)(2).

205. Hackney, *Political Justice*, *supra* note 16, at 298, 298 n.205.

206. See, e.g., Maya Miller, *How the IRS Gave Up Fighting Political Dark Money Groups*, PROPUBLICA (Apr. 18, 2019, 5:00 AM), <https://www.propublica.org/article/irs-political-dark-money-groups-501c4-tax-regulation> [<https://perma.cc/VN5U-GA5Q>].

207. We would exclude private foundations from CCC eligibility as well since their primary purpose is the disbursement of funds to charities and individuals.

organization whose mission is illegal or fundamentally contravenes public policy—such as by promoting racial discrimination—from being a charitable organization entitled to receive deductible donations.²⁰⁸ This doctrine can prevent such organizations from receiving CCC-eligible donations. Second, beyond this, we think it is imprudent for a government agency to evaluate the substantive merits of a nonprofit's mission. Such evaluations will often mean passing political judgments that the IRS is not only ill-equipped to do but which can engender suspicion about political bias at the IRS. Ensuring the stability of the CCC means accepting that even organizations with controversial missions must be eligible donees, as long as their mission does not fundamentally contravene public policy. Finally, we must concede that what we are proposing is a structural move that rebalances power between the federal government, localities, individuals, and the nonprofit sector. It does not have an ideological valence. It is a bet on greater and more effective democratic participation. We think that this will result in more just policy outcomes, but making this bet requires tolerating the flowering of nonprofits with missions any individual might find problematic alongside those nonprofits that enjoy broad public support.

B. *Design Choices*

The goal of the Community Contribution Credit is to put financial resources in the hands of low- and middle-income households that can only be used to support charities with the aim of both supporting the missions of those charities and drawing the donors into volunteering relationships with those organizations and broader civic and political participation. There are a variety of ways of implementing the CCC, however, and the implementation is likely to be an important factor in the credit's success.

The most familiar way of implementing the credit would be to allow taxpayers to claim the credit when they file their tax return. This is how the refundable child tax credit (CTC) and the earned income tax credit (EITC) are claimed.²⁰⁹ This allows the credit to be claimed on the same tax return on which the taxpayer reports her income for the year and the other features of her circumstances that affect eligibility, such as whether she had dependent children. The sizeable refunds associated with these tax credits have several collateral effects, both on household financial decisions and the tax preparation market.²¹⁰ EITC recipients often have significant debt that accumulates during the winter holidays that they only repay after receiving their tax refunds, making them vulnerable to delays or garnishment of those refunds.²¹¹ Tax return preparers also sell a variety of goods, services, and financial products related to the tax preparation services

208. *Bob Jones Univ. v. United States*, 461 U.S. 574, 591–93 (1983).

209. *Child and Dependent Tax Credits and Disaster Relief*, USA.GOV, <https://www.usa.gov/tax-benefits> (last visited June 4, 2023) [<https://perma.cc/3V6K-UDKK>].

210. For a description of the market for tax preparation and tax financial products, see Andrew T. Hayashi, *Myopic Consumer Law*, 106 VA. L. REV. 689, 692–95 (2020).

211. *Id.* at 725.

and that are paid for with tax refunds.²¹² Consumer advocates argue that these financial products are a multi-billion dollar drain on the EITC program.²¹³

If the CCC were implemented like the CTC and EITC, the taxpayer would need to make a cash outlay during the year to obtain the credit on her next return. Even if the CCC rate were set at 100%, so that the taxpayer received the full amount of a charitable contribution back after filing her taxes, she would still need to find the money to make the donation and possibly wait several months to get the money back in the form of the credit. For some taxpayers, this difference in the timing of when the donation is made and when the credit is received may not matter, but many households are “illiquid,” having very little room in their budgets to make discretionary cash expenditures.²¹⁴ This concern is especially important because the CCC would be limited to low and middle-income taxpayers. If households do not have the cash on hand to make the donations, then households will either fail to take advantage of the CCC or borrow to make the donation, which, given the unfavorable credit terms generally available to low-income borrowers, may result in a significant loss of the benefits of the CCC.

On the other hand, making the CCC available upon filing a tax return may increase the number of low- and middle-income taxpayers who actually file a tax return, which could have collateral benefits for those taxpayers. The EITC and refundable CTC are only available to people who file a tax return, and many taxpayers eligible for these benefits do not file.²¹⁵ If the CCC is effective at increasing charitable donations, then it may also increase filing rates by low-income taxpayers along with the take-up of benefits like the EITC.²¹⁶

The history of the EITC also provides a helpful lesson in designing refundable tax credits. Before 2011, the Advance EITC program allowed taxpayers to claim their EITC in increments over the course of the year rather than receive a lump sum payment after filing their return.²¹⁷ The program has been almost a complete failure as measured by take-up rates.²¹⁸ People have a strong preference

212. See, e.g., CHI CHI WU, TOM FELTNER & JEAN ANN FOX, SOMETHING OLD, SOMETHING NEW IN TAX-TIME FINANCIAL PRODUCTS: REFUND ANTICIPATION CHECKS AND THE NEXT WAVE OF QUICKIE TAX LOANS 2–3 (2013), https://filearchive.nclc.org/high_cost_small_loans/ral/ral-report-2013.pdf [<https://perma.cc/MZQ5-UBSX>].

213. *Id.* at 14–15.

214. For data on household illiquidity and the costs of that illiquidity, see Andrew T. Hayashi, *The Quiet Costs of Taxation: Cash Taxes and Noncash Bases*, 71 TAXL. REV. 781, 784 (2018).

215. Taxpayers do not need to file a return unless their income exceeds the standard deduction, which for 2020 was \$24,800 for a married couple filing jointly. *IRS Provides Tax Inflation Adjustments for Tax Year 2020*, IRS, <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2020> (last visited June 4, 2023) [<https://perma.cc/2KHC-RGHG>].

216. See Hayashi, *supra* note 214, at 744.

217. For a summary of design features, including some of the benefits of advance payments but the reasons for low takeup, see ELAINE MAAG, DONALD MARRON & ERIN HUFFER, REDESIGNING THE EITC: ISSUES IN DESIGN, ELIGIBILITY, DELIVERY, AND ADMINISTRATION 1–2 (June 10, 2019), <https://www.taxpolicycenter.org/publications/redesigning-eitc-issues-design-eligibility-delivery-and-administration/full> [<https://perma.cc/QUZ2-UYNN>].

218. Jennifer L. Romich & Thomas Weisner, *How Families View and Use the EITC: Advance Payment Versus Lump Sum Delivery*, 53 NAT’L TAX J. 1245, 1247 (2000).

to receive the EITC as a lump sum payment.²¹⁹ Interventions to reduce the costs of claiming the advance EITC and to reduce any stigma associated with it only increase participation from 0.3% to 1.2%.²²⁰ We do not know why the Advance EITC was so unpopular, although many explanations are plausible. For example, taxpayers may have lacked information about the program, had a preference for lump sum payments as a savings mechanism, had to opt-in to the program, and were concerned about having to repay the EITC if they withheld too few taxes for the year. Addressing these concerns will be important to ensure the effectiveness of the CCC.

Making donors feel as if they have “skin in the game” while not imposing too much hardship on liquidity-constrained households is a delicate balancing act. We think that the simplicity and salience of the credit will be crucial for its long-term success. With high rates of take-up and persistence over time, we can expect that community groups will begin to devote greater efforts to inform and fundraise from CCC recipients, which will in turn increase the visibility and use of the credit, and along with it the economic power and political and civic engagement of the recipients.

We propose that a taxpayer claim the CCC on her federal income tax return in advance by indicating the amount of the donation that she intends to make in the *coming year*. For example, if we assume a 90% credit rate with a cap of \$450, then a taxpayer who wanted to claim the full credit would take a refundable credit of \$450 against her taxes and indicate that she intends to make the maximum donation of \$500 in the coming year. The full credit would be available to all persons with taxable income below a specified threshold, based on their income in the prior tax year. Since the taxpayer’s income for the prior year is reported at the same time that the credit is claimed, there is no uncertainty about the taxpayer’s eligibility for the credit (such as was the case with the Advance EITC).²²¹

Allowing the taxpayer to receive the credit before making the donation eliminates the liquidity problem. Since the credit is paid out with the rest of the taxpayer’s refund, it increases the benefits from filing a tax return and incentivizes filings. If the taxpayer does not follow through on the donation, then the amount of the credit that was improperly claimed could be added to her tax liability for the following year, or she could simply be ineligible for the credit until making the donation. An even stricter consequence of not following through with the CCC donation could be to require that the taxpayer be permanently ineligible for the “advance” feature of the credit, always having to make the donation before claiming the credit.

We described the basic features of the CCC to respondents to the HH survey under the assumption that donors would need to make a \$50 donation to get the credit. 33% of those who knew how they would respond to the credit said that it would increase their charitable giving. The most cited reasons for not

219. *Id.* at 1246.

220. Damon Jones, *Information, Preferences, and Public Benefit Participation: Experimental Evidence from the Advance EITC and 401(k) Savings*, 2 AM. ECON. J.: APPLIED ECON. 147, 148–49 (2010).

221. See MAAG ET. AL., *supra* note 217, at 28.

taking advantage of the credit were not understanding it or expecting that they might not learn about it. For LMI households, 32% of respondents said that they could not afford \$50, which might counsel in favor of an even higher credit rate. Given the size of the CCC, we expect that tax-return preparers and nonprofits will be highly motivated to explain and advertise the credit, which ameliorates these concerns. But the fact that many respondents cannot afford to make a \$50 donation suggests that the credit should not depend on some threshold level of giving.

If tax filing season becomes associated with a large amount of money for community organizations, we should expect that not only will nonprofits and community groups market their organizations to CCC recipients, but also that unscrupulous operators will organize entities to solicit funds. It may be instructive to think about the worst-case scenario. Imagine a new nonprofit entity X Corp. that aggressively solicits CCC funds from taxpayers in early March each year right around when people receive their CCC refunds. X Corp.'s mission is "neighborhood improvement" and, with a wink and a nod, X Corp. pays for groceries and pays rent to needy members of the community who, as it just so happens, are the people who have also made creditable donations to X Corp. The president of X Corp. also draws a salary equal to 20% of the donations made to X Corp.

This kind of collusion works to the benefit of everyone involved. Imagine that 1,000 people make donations of \$500 each to X Corp. The president draws a salary of \$100,000, leaving \$400,000 to be distributed to the clients/donors of X Corp. Each client/donor receives \$400 worth of goods from X Corp. as well as \$480 in CCC refunds in exchange for the \$500 donation that she made. Thus, each donor benefits by \$380, and the president of X Corp. is \$100,000 better off. Effectively, the U.S. Treasury pays the groceries and rent of the X Corp. donors as well as the president's salary.²²²

Of course, credit eligibility could—and should—be designed to deny eligibility for donations of this nature. Just as with the current income tax rules for charitable donations, the fair market value of any goods and services received by the donor should be deducted from the amount of the contribution.²²³ If only 501(c)(3) entities are eligible to receive CCC donations, then brazen self-dealing of the kind involving X Corp. should cause it to lose its exempt status and eligibility to receive donations.

But it is also worth reflecting on the costs of errors in the administration of the CCC program. Inevitably, benefits will accrue to taxpayers who should not receive them, or the organizations will not use the funds as intended. But, limiting the CCC to low- and middle-income households financed with a progressive tax—or a partial repeal of a regressive charitable contribution deduction—is important, because even if the credit funds the donors' own consumption, it merely

222. Professor Hackney notes that the IRS has viewed a community-operated bus service that was open to all as a social welfare organization, even though the service was primarily used by the group's founders. Hackney, *Political Justice*, *supra* note 16, at 293; *see* Rev. Rul. 78-69, 1978-1 C.B. 156.

223. 26 C.F.R. § 1.170-1(h)(2).

increases the progressivity of the federal system of taxes and transfers. Further, “abusing” the credit in this manner will increase household incomes, leaving them with greater time and resources to be more civically and politically engaged.

C. *Distributional Effects*

The goals of the Community Contribution Credit are both to support the work, operation, and output of charities and to increase civic and political engagement. As we report in Part IV, there are significant disparities by income group in the amount of civic and political engagement and participation. These differences affect influence over the political process and the extent to which the preferences and interests of low-income households are reflected in policymaking—itself a first-order problem—but they also result in differences in how connected people are to their communities. We propose focusing the community contribution credit on households with incomes below the national median household income, or roughly \$70,000, for several reasons.

First, since tax incentives for financial donations tend to increase volunteerism, the CCC should increase volunteerism by low-income households. As Professor Schizer has noted, the charitable contribution deduction can help recruit donors to monitor the quality of nonprofits’ activities,²²⁴ which can increase the efficiency of the nonprofit sector. That monitoring can be valuable, but it can also allow them to influence the nonprofit in ways that are not consistent with the mission. Opening the door for more monitoring by low-income households may bring both new kinds of expertise to nonprofits.

Second, we have documented in Part IV that lower-income taxpayers report lower levels of civic and political engagement, but that they also exhibit a stronger correlation between volunteerism and engagement. Thus, there is both a greater need for engagement and a greater potential for increasing engagement among lower-income households. The challenge is that civic and political engagement can be costly. Lower-income households can less afford to spend time volunteering and being involved politically, and the benefits of being engaged may not be as immediate as needs such as food, housing, and childcare. The fact that a community tax credit makes households richer, if nothing else, gives them more resources to spend on political and civic activities.

Third, re-allocating the tax expenditure towards low-income households will make charitable giving—and the implicit government subsidy that comes with it—more democratic.²²⁵ As charitable giving policy becomes more

224. Schizer, *supra* note 108, at 224. Professor Schizer analyzes three justifications for the charitable deduction: increased giving, empowering minority perspectives and measuring popular preferences, and recruiting private donors to monitor the nonprofits.

225. On some of the distorting effects of philanthropy because of who gives, see Matthew Bishop, *Philanthrocapitalism: Solving Public Problems Through Private Means*, 80 SOC. RSCH.: INT’L Q. 473, 483–84 (2013). Democratic values are not typically given a central role in tax policy analysis, but see, for example, Linda Sugin, *Invisible Taxpayers*, 69 TAX L. REV. 617, 618 (2016); James R. Repetti, *Democracy, Taxes, and Wealth*, 76 N.Y.U. L. REV. 825–26 (2001); Ariel Jurow Kleiman, *Tax Limits and the Future of Local Democracy*, 133

democratic, more support will be directed to the kinds of organizations favored by low-income households, incentivizing other organizations to emerge and provide the services they value. Professor Bullock has also argued that giving lower-income households more power to donate to nonprofits may improve the performance of charities that serve low-income households, and “create a vast constituency for charitable organizations by freeing them from dependency on the wealthy.”²²⁶

Fourth, to the extent that the community giving credit is inframarginal—and nonitemizers already do make significant donations—the credit merely increases the after-tax incomes of these households. The inframarginal effect, which is generally viewed as an efficiency loss when it comes to providing tax incentives,²²⁷ in this case amounts to a redistribution of wealth to low-income households. If one is in favor of greater progressivity in the tax system, the inframarginal effect is not much of a downside.

Finally, the personal benefits of increased civic and political engagement may also be greater for low-income households.²²⁸ Lower-income individuals could gain education, training, and networking opportunities that could lead to greater employment opportunities, and an ability to navigate bureaucracies and avail oneself of public benefits.²²⁹

The first link in our argument from charitable giving to civic engagement is the link from giving to volunteerism. Outside of the studies attempting to estimate that effect directly, there is a large literature on the factors driving volunteerism more generally. We think it is important to draw attention to some of these factors. Among the reasons that older adults give for not engaging in more formal volunteering is the concern that their efforts are not properly valued by the donee organization and that they are not treated well or will be “bossed around.”²³⁰ Other factors limiting formal volunteering include poverty, poor health, and lack of transportation.²³¹ And “[i]nadequate personal resources,

HARV. L. REV. 1884, 1889 (2020); Jeremy Bearer-Friend, Ari Glogower, Ariel Jurow Kleiman & Clinton G. Wallace, *Taxation and Law and Political Economy*, 83 OHIO STATE L. J. 471, 475 (2022); JEREMY BEARER-FRIEND, RESTORING DEMOCRACY THROUGH TAX POLICY 3 (2018), https://rooseveltinstitute.org/wp-content/uploads/2021/08/GDI_Restoring-Democracy-Through-Tax-Policy_201812.pdf [<https://perma.cc/66Z7-XBZH>].

226. Alice Gresham Bullock, *Taxes, Social Policy and Philanthropy: The Untapped Potential of Middle- and Low-Income Generosity*, 6 CORNELL J.L. & PUB. POL’Y 325, 359 (1997).

227. See Batchelder et al., *supra* note 192, at 52.

228. See Liang Guo, Yehuda Baruch & Marcello Russo, *Work Resources and Civic Engagement: Benefits to Employee Physical and Mental Health*, 100 J. VOCATIONAL BEHAV. 56, 56 (2017)

[W]e demonstrate that civic engagement and work resources enhance people’s perception of happiness and that this, in turn, is conducive to greater mental and physical health. We also found that the association between civic engagement and happiness is moderated by income such that the association is positive for people with either low or high income.

229. These effects could help reduce the barriers to accessing social programs or generally exercising one’s rights. For evidence on differential use of property tax appeals as one example of this, see Andrew T. Hayashi, *The Legal Salience of Taxation*, 81 U. CHI. L. REV. 1443, 1464–85 (2014).

230. Iveris L. Martinez, Doneth Crooks & Kristen S. Kim & Elizabeth Tanner, *Invisible Civic Engagement Among Older Adults: Valuing the Contributions of Informal Volunteering*, 26 J. CROSS-CULTURAL GERONTOLOGY 23, 31 (2011).

231. *Id.*

including finances, are consistently presented as a limiting factor for voluntary activity.”²³²

We think that the Community Contribution Credit could address some of these factors. First, for any adult for whom the credit is inframarginal, the effect is to increase their after-tax income, perhaps freeing up time and resources to volunteer. Second, the community credit will give lower-income taxpayers more influence over the operations of nonprofits, and we expect that nonprofits would begin to court and cater to these taxpayers as a fundraising strategy. Someone who donates her Community Contribution Credit to the same organization for which she volunteers has the power to withdraw her donations, and for that reason is likely to be treated better when she is volunteering. Moreover, this shift in the status of low-income households from client to patron of charitable organizations may cause them to be treated with greater status and respect.

D. Why Tax?

If our sole concern were to increase civic participation among low-income households, then it is sensible to ask whether there might not be a more direct way of doing that than through the links to volunteerism and charitable giving and ultimately back to a tax credit for financial contributions. Scholars who are concerned with a decline in social capital, social trust, and being alienated from local communities attribute much of this to a dynamic form of capitalism that they see as an inevitable outgrowth of liberalism that privileges mobility, autonomy, consumerism, and unfettered freedom of choice.²³³ Their response is an attack on liberalism or, less dramatically, a rolling back of economic and industrial policy from free markets toward greater protectionism.²³⁴ So why do we propose a tax credit?

If the only benefit of the Community Contribution Credit were to be derived from increasing civic and political engagement, it would be a slender reed indeed for such a substantial tax expenditure. But there are other significant benefits to inducing civic and political engagement through a tax incentive for charitable giving. By giving low and middle-income households the financial means to contribute to community organizations, it changes the terms on which they can engage. With the ability to make a modest monetary donation—even \$500—comes some measure of power that can change the respect that donors are given and how they are treated by the organization when they volunteer. Recipient organizations may be more willing to listen to the input of a volunteer who is also a

232. *Id.* at 26, (citing Jeffrey A. Burr, Jan E. Mutchler & Francis G. Caro, *Productive Activity Clusters Among Middle-Aged and Older Adults: Intersecting Forms and Time Commitments*, 62 J. GERONTOLOGY: SERIES B S267 (2007); Jeni Warburton & Deirdre McLaughlin, *Passing On Our Culture: How Older Australians from Diverse Cultural Backgrounds Contribute to Civil Society*, 22 J. CROSS-CULTURAL GERONTOLOGY 47 (2007); R. A. Sundeen, Sally A. Raskoff & M. Cristina Garcia, *Differences in Perceived Barriers to Volunteering to Formal Organizations: Lack of Time Versus Lack of Interest*, 17 NONPROFIT MGMT. & LEADERSHIP 279 (2007)).

233. *See, e.g.*, DENEEN, *supra* note 1.

234. *Id.*

CCC donor, and more willing to consider whether their expertise and knowledge can help the organization pursue its mission.

Moreover, although any one CCC contribution may not be terribly large, the aggregate amount of CCC donations that we contemplate is very significant, approaching the amount of the current tax expenditure for the charitable deduction. We should expect that potential recipient organizations will seek out CCC donors, and change their messaging, priorities, and operations, to cater to the interests and concerns of CCC donors. We also expect that new community organizations will form to cater to the interests of CCC recipients, helping to democratize the nonprofit sector so that its objectives better reflect the preferences of the population more generally. It should also be relatively likely for organizations to respond to the incentives created by having a new pool of potential donors since those donors will include everyone with an income below the specified threshold. All an organization needs to do to identify a potential market is to know the median income of that population of people, since eligibility for the CCC will depend only on income. This is likely to make the nonprofit sector responsive to the interests of CCC donors and make the transmission of their preferences into charitable activities particularly efficient.

Nonprofits already have incentives to publicize the availability of tax credits to potential donors. For example, Arizona provides a 100% tax credit for donations to certain organizations, and some food banks rent billboard space to advertise their eligibility.²³⁵ To some sensibilities, the expected reaction of the nonprofit sector to a massive influx of potential donations by low- and middle-income households will seem like an unseemly grab for donation dollars. But if the nonprofit sector has a frenzied reaction, with new and old organizations scrambling to cater to low- and middle-income households and meet their demand for particular kinds of charitable activities and forms of public service that they want to see provided, then we think this is a needed rebalancing of the activities of the nonprofit sector.²³⁶

E. Financing

The empirical economic literature on the effect of the charitable contribution deduction on volunteerism suggests that the income effect is the primary driver of volunteerism. This means that the way that the CCC is financed will affect the amount of volunteerism that it encourages. It is typical within economic models, when evaluating the efficiency of a tax to assume that any revenue collected by the tax is refunded to the individual as a lump sum. The efficiency costs of a tax are due to the distortionary effect on prices—the substitution

235. Duquette et al., *supra* note 122, at 18.

236. De Vita & Twombly, *supra* note 128, at 5 (“[Tax credits] may carry unintended consequences, such as increasing competition among charitable organizations for donor dollars and further emphasizing marketing and outreach activities to help an organization stand out in a field of competitors.”).

effect.²³⁷ By assuming that any taxes collected are refunded to the taxpayer, the only behavioral effect is due to the change in prices.

In the case of the charitable contribution deduction, this suggests that the way we fund the deduction may have an important effect on the behavioral response. If a deduction is funded by increasing tax rates on CCC recipients—effectively clawing back the increase in income that results from the deduction—we may not observe much increase in volunteerism. Thus, the CCC must be funded elsewhere.

Possibilities include raising taxes, or cutting spending, on individuals who are not intended to be the primary beneficiaries of the credit, or deficit-financing the deduction and thereby increasing taxes on future generations. We propose reforming the existing incentives for charitable giving as a way of funding the CCC. There is no reason of economic logic to assume that this is how the credit should be financed, and we are not committed to any particular way of financing the credit. And yet, as a political matter, adopting the Community Contribution Credit may provide the energy for rationalizing the taxation of charitable giving more generally.

Since many scholars already agree that the charitable contribution deduction needs reform, we consider some possibilities here. If each taxpayer in the bottom 50% of the AGI distribution takes the \$500 credit, the aggregate annual cost would be about \$54 billion.²³⁸ For fiscal year 2021, this is roughly the size of the deduction for charitable contributions.²³⁹ If the charitable contribution deduction were not repealed, but instead left alongside the CCC, at least the annual limitations on deductible gifts could be reduced.²⁴⁰ Other possibilities include limiting the amount of the deduction for contributions of appreciated property to exclude built-in long-term capital gain, or to eliminate widely-panned loopholes for grantor-retained annuity trusts, which have resulted in more than \$100 billion in lost revenues from 2000-2014.²⁴¹

VI. CONCLUSION

The charitable contributions deduction is typically justified by proponents in terms of the benefits accruing to charitable organizations, and the good work that many of them do for their clients. We have argued that this focus on the clients of nonprofits misses a crucial part of the picture: the benefits of giving to

237. See Feldman *supra* note 27, at 104.

238. This is determined by multiplying the number of tax returns filed in the bottom half of the AGI distribution by 1.5 and then \$500. Erica York, *Summary of the Latest Federal Income Tax Data*, TAX FOUND., (Jan. 26, 2023), <https://taxfoundation.org/publications/latest-federal-income-tax-data/> [https://perma.cc/4FT7-B72K].

239. *What Are the Largest Tax Expenditures?*, TAX POL'Y CTR., <https://www.taxpolicycenter.org/briefing-book/what-are-largest-tax-expenditures> (last visited June 4, 2023) [https://perma.cc/24B9-YX6N]. Another possibility is repealing the Section 199A deduction. I.R.C. § 199A.

240. See discussion *supra* Section III.A.

241. Zachary R. Mider, *GRAT Shelters: An Accidental Tax Break for America's Wealthiest*, WASH. POST (Dec. 28, 2013), https://www.washingtonpost.com/business/grat-shelters-an-accidental-tax-break-for-americas-wealthiest/2013/12/27/936bffc8-6c05-11e3-a523-fe73f0ff6b8d_story.html [https://perma.cc/23R7-G37A].

the donor and to community life. These benefits—which are undersupplied by the market without a tax incentive—accrue as financial donors become volunteers, who tend to have deeper civic and political engagement across a range of measures. We provided new evidence that this is the case.

The benefits of the charitable deduction are also skewed, which contributes to the polarization of our politics, income and wealth inequality, and individual isolation and alienation. We have offered a proposal for a Community Contribution Credit that would more equitably distribute the goods from civil society and contribute to more democratic politics.

* * *

APPENDIX

Table 1
Definitions of Proxies for Engagement

<u>Variable Name</u>	<u>Question reference</u>	<u>Question wording</u>
Proxies for civic engagement		
Time with Friend	PES1	In the past 12 months, that is from September 2016 until today, how often did (you/NAME) talk to or spend time with friends and family?
Time with Neighbor	PES4	In the past 12 months, how often did (you/NAME) have a conversation or spend time with (you/his/her) neighbors?
Neighbor Favor	PES6	In the past 12 months, how often did (you/NAME) and (your/his/her) neighbors do favors for each other?
Time with Other Culture	PES8	In the past 12 months, how often did (you/NAME) talk to or spend time with people from a racial, ethnic, or cultural background that is different than (yours/his/hers)?
Positive Action for Neighborhood	PES7	In the past 12 months, did (you/NAME) get together with other people from (your/his/her) neighborhood to do something positive for (your/his/her) neighborhood or community?
Part of Association	PES15	In the past 12 months, did (you/NAME) belong to any groups, organizations, or associations?
Proxies for political engagement		
Discuss with friend/fam	PES2	In the past 12 months, how often did (you/NAME) discuss political, societal, or local issues with friends or family?
Discuss with neighbor	PES5	In the past 12 months, how often did (you/NAME) discuss political, societal, or local issues with (your/his/her) neighbors?
Share on internet	PES9	In the past 12 months, how often did (you/NAME) post (your/his/her) views about political, societal, or local issues on the internet or social media?
Consume news or info	PES10	In the past 12 months, how often did (you/NAME) read, watch, or listen to news or information about political, societal, or local issues?
Vote in last local election	PES11	In the past 12 months, did (you/NAME) vote in the last local elections, such as for mayor or school board?
Attend public meeting	PES12	In the past 12 months, did (you/NAME) attend a public meeting, such as a zoning or school board meeting, to discuss a local issue?
Contact public official	PES13	In the past 12 months, did (you/NAME) contact or visit a public official - at any level of government - to express (your/his/her) opinion?
Buy or boycott goods or serv	PES14	In the past 12 months, did (you/NAME) buy or boycott products or services based on the political values or business practices of that company?

Table 2

Correlations of Engagement Proxies

Panel A: Pairwise correlations of proxies for civic engagement

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) Time with Friend	1					
(2) Time with Neighbor	0.217*	1				
(3) Neighbor Favor	0.155*	0.581*	1			
(4) Time with Other Culture	0.216*	0.133*	0.124*	1		
(5) Positive Action for Neighborhood	0.106*	0.304*	0.339*	0.110*	1	
(6) Part of Association	0.115*	0.184*	0.180*	0.125*	0.267*	1

Panel B: Pairwise correlations of proxies for political engagement

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Discuss with friend/fam	1							
(2) Discuss with neighbor	0.406*	1						
(3) Share on internet	0.237*	0.175*	1					
(4) Consume news or info	0.345*	0.190*	0.124*	1				
(5) Vote in last local election	0.228*	0.172*	0.066*	0.240*	1			
(6) Attend public meeting	0.182*	0.196*	0.109*	0.125*	0.232*	1		
(7) Contact public official	0.229*	0.205*	0.180*	0.155*	0.233*	0.383*	1	
(8) Buy or boycott goods or serv	0.233*	0.146*	0.207*	0.144*	0.188*	0.185*	0.338*	1

This table documents pairwise correlations of the proxies for civic and political engagement. ***

p<0.01, ** p<0.05, * p<0.1

Table 3

Descriptive Statistics

Panel A: Proxies for Civic Engagement

Variable	Volunteer Indicator=1				Volunteer Indicator=0				Difference in Mean
	N	Mean	Std	Median	N	Mean	Std	Median	
Time with Friend	17,490	4.57	0.77	5	36,128	4.24	1.23	5	0.33 ***
Time with Neighbor	17,439	2.90	1.56	3	35,969	2.18	1.77	2	0.72 ***
Neighbor Favor	17,416	1.69	1.50	1	35,982	1.03	1.42	0	0.66 ***
Time with Other Culture	17,300	3.53	1.65	4	35,606	2.81	2.06	3	0.72 ***
Positive Action for Neighborhood	17,431	0.41	0.49	0	36,075	0.12	0.33	0	0.29 ***
Part of Association	17,473	0.63	0.48	1	36,135	0.13	0.33	0	0.50 ***

Panel B: Proxies for Political Engagement

Variable	Volunteer Indicator=1				Volunteer Indicator=0				Difference in Mean
	N	Mean	Std	Median	N	Mean	Std	Median	
Discuss with friend/fam	17,368	3.08	1.70	4	35,793	2.17	1.92	2	0.91 ***
Discuss with neighbor	17,356	1.24	1.57	0	35,819	0.70	1.32	0	0.54 ***
Share on internet	17,313	0.70	1.37	0	35,734	0.48	1.20	0	0.22 ***
Consume news or info	17,401	4.29	1.33	5	35,885	3.72	1.84	5	0.57 ***
Vote in last local election	16,784	0.72	0.45	1	33,877	0.46	0.50	0	0.26 ***
Attend public meeting	17,417	0.25	0.43	0	36,074	0.05	0.22	0	0.20 ***
Contact public official	17,393	0.26	0.44	0	36,059	0.06	0.24	0	0.20 ***
Buy or boycott goods or serv	17,348	0.26	0.44	0	35,989	0.09	0.28	0	0.17 ***

This table provides descriptive statistics for the main samples used in this paper. Variables are defined in table 1.

TABLE 4
Multivariate Tests of Civic Engagement

	(1)	(2)	(3)	(4)	(5)	(6)
	Categorical Variables			Indicator Variables		
	Time with Friend	Time with Neighbor	Neighbor Favor	Time with Other Culture	Positive Action for Neighborhood	Part of Association
Volunteer Indicator	0.24*** (18.98)	0.57*** (19.28)	0.50*** (18.18)	0.37*** (13.17)	0.43*** (62.32)	0.25*** (18.91)
Age	-0.30*** (-3.61)	1.75*** (17.39)	1.12*** (17.67)	-1.09*** (-10.81)	0.29*** (12.80)	0.22*** (9.47)
Female Indicator	9.86*** (5.61)	-8.06*** (-2.96)	-2.34 (-0.83)	5.31** (2.53)	-0.94** (-2.72)	-1.13** (-2.90)
Education	-0.55** (-2.28)	1.61*** (3.54)	0.11 (0.31)	5.24*** (5.77)	2.34*** (8.62)	0.93*** (5.67)
Constant	4.75*** (42.51)	1.07*** (6.00)	0.70*** (4.62)	1.13*** (3.57)	-0.88*** (-7.73)	-0.27*** (-3.81)
Observations	23,543	23,441	23,440	23,242	23,529	23,492
R-squared	0.04	0.09	0.09	0.05	0.31	0.13

Economic Magnitude

Volunteer

indicator as a %

of mean:

5.5%	23.6%	40.3%	12.1%	195.5%	86.2%
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This table documents OLS tests of the effect of volunteering on various measures of civic engagement. Fixed effects are included in all models: Race, Citizen Status, Income Category, Interview Type, Geographical Zone, Population Category, Marital Status, work hours category and kids category. In this table, age, female indicator, and education are scaled by 100. The dependent variables are defined in table 1. *** p<0.01, ** p<0.05, * p<0.1 using two-sided tests with standard errors clustered by Income Category.

TABLE 5
Multivariate Tests of Political Engagement

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Categorical Variables				Indicator Variables			
	Discuss with friend/fam	Discuss with neighbor	Share on internet	Consume news or info	Vote in last local election	Attend public meeting	Contact public official	Buy or boycott goods or serv
Volunteer Indicator	0.62*** (18.76)	0.41*** (17.59)	0.18*** (7.02)	0.37*** (12.15)	0.17*** (18.99)	0.17*** (46.34)	0.16*** (23.28)	0.15*** (27.06)
Age	0.46*** (3.95)	1.03*** (12.27)	-0.76*** (-7.31)	1.58*** (14.89)	0.66*** (13.27)	0.17*** (4.91)	0.22*** (7.94)	0.07*** (3.96)
Female Indicator	-12.16*** (-7.65)	-12.86*** (-6.12)	4.42** (2.61)	-9.57*** (-5.85)	2.82*** (3.89)	-0.39 (-1.20)	-0.36 (-1.01)	0.81* (1.81)
Education	11.17*** (20.35)	3.23*** (6.00)	2.52*** (5.60)	7.44*** (13.17)	2.85*** (24.09)	0.96*** (6.58)	1.55*** (10.57)	1.76*** (18.30)
Constant	-2.13*** (-9.78)	-0.90*** (-4.63)	-0.12 (-0.67)	0.27 (1.06)	-1.08*** (-18.86)	-0.34*** (-5.81)	-0.58*** (-9.58)	-0.59*** (-18.16)
Observations	23,331	23,357	23,266	23,382	22,315	23,475	23,458	23,413
R-squared	0.10	0.07	0.02	0.08	0.19	0.11	0.11	0.10

Economic Magnitude

Volunteer indicator

as a % of mean:	25.1%	47.1%	32.7%	9.5%	30.9%	141.7%	123.1%	107.1%
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This table documents OLS tests of the effect of volunteering on various measures of political engagement. Fixed effects are included in all models: Race, Citizen Status, Income Category, Interview Type, Geographical Zone, Population Category, Marital Status, work hours category and kids category. In this table, age, female indicator, and education are scaled by 100. The dependent variables are defined in table 1. *** p<0.01, ** p<0.05, * p<0.1 using two-sided tests with standard errors clustered by Income Category.

TABLE 6
Multivariate Tests of the Relation between Volunteering and Engagement by Income Group

Panel A: Tests of Civic Engagement

Income Group	(1)	(2)	(3)	(4)	(5)	(6)
	Categorical Variables			Indicator Variables		
	Time with Friend	Time with Neighbor	Neighbor Favor	Time with Other Culture	Positive Action for Neighborhood	Part of Association
0 - 25K	0.13*** (3.23)	0.65*** (9.21)	0.52*** (8.47)	0.41*** (6.14)	0.29*** (15.74)	0.20*** (11.41)
25 - 50K	0.23*** (5.68)	0.45*** (5.93)	0.34*** (5.21)	0.24*** (3.13)	0.32*** (15.55)	0.19*** (9.57)
50 - 75K	0.28*** (6.14)	0.48*** (5.63)	0.28*** (3.76)	0.54*** (6.53)	0.32*** (12.87)	0.22*** (8.80)
75 - 100K	0.23*** (6.26)	0.37*** (5.33)	0.30*** (5.07)	0.34*** (4.99)	0.32*** (15.85)	0.16*** (8.13)
> 100K	0.19*** (8.39)	0.53*** (12.96)	0.45*** (11.84)	0.34*** (8.12)	0.32*** (25.11)	0.21*** (16.63)
Low Income - High Income	-0.06 (0.40)	0.12 (0.46)	0.07 (0.62)	0.07** (2.34)	-0.03** (-2.41)	-0.01* (-1.82)

Panel B: Tests of Political Engagement

Income Group	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Categorical Variables				Indicator Variables			
	Discuss with friend/fam	Discuss with neighbor	Share on internet	Consume news or info	Vote in last local election	Attend public meeting	Contact public official	Buy or boycott goods or serv
0 - 25K	0.66*** (9.11)	0.40*** (6.60)	0.20*** (3.17)	0.56*** (9.05)	0.17*** (8.79)	0.14*** (9.41)	0.11*** (7.62)	0.14*** (8.88)
25 - 50K	0.51*** (6.22)	0.28*** (4.28)	0.21*** (3.08)	0.34*** (4.86)	0.18*** (8.16)	0.14*** (7.97)	0.09*** (5.58)	0.11*** (6.21)
50 - 75K	0.52*** (5.49)	0.31*** (4.29)	0.11 (1.49)	0.45*** (5.76)	0.18*** (7.31)	0.13*** (6.44)	0.10*** (5.09)	0.11*** (4.93)
75 - 100K	0.51*** (6.47)	0.15** (2.57)	0.08 (1.42)	0.27*** (4.12)	0.13*** (6.53)	0.11*** (6.50)	0.07*** (4.36)	0.10*** (5.54)
> 100K	0.40*** (8.83)	0.31*** (7.75)	0.02 (0.65)	0.27*** (7.53)	0.14*** (10.69)	0.12*** (11.51)	0.10*** (8.99)	0.11*** (9.48)
Low Income - High Income	0.26*** (3.39)	0.09 (0.74)	0.18*** (4.31)	0.29*** (4.53)	0.03* (1.71)	0.02 (-1.01)	0.01 (-0.90)	0.03 (-0.77)

This table documents OLS tests of the effect of volunteering on various measures of civic and political engagement. The parameter reported in this table is the coefficient on the volunteer indicator of a regression within the income category. Otherwise, all models replicate those tabulated in Tables 4 and 5 and include all controls and fixed effects. *** p<0.01, ** p<0.05, * p<0.1 using two-sided tests with standard errors clustered by Income Category.

