Why People Give to Charity

There's a common misconception about why people give to charity. A lot of people think it's because of the tax deduction the IRS and state governments allow. But the tax deduction doesn't eliminate the cost of charitable giving, it only reduces it.

There must be something more basic at work than tax savings. Studies of philanthropic behavior show that the most important reason why people give is their commitment to the mission and the specific programs of an organization. Every other reason, including tax incentives, is secondary to the importance of philanthropic motives. The personal satisfaction of supporting worthwhile causes drives charitable giving.

Tax considerations become important in charitable giving when the goal is to—

- motivate the marginal giver—the person who needs a little "push" to make a financial commitment to an organization, and
- potentially increase the size of a donor's gift.