

Empowering Communities: The Transformative Potential and Practices of Zakat in the Contemporary United States - Insights from Scholars, Theologians, Practitioners, and Community Leaders





Executive Summary

Islamic Relief USA, in collaboration with the Muslim Philanthropy Initiative (MPI) at Indiana University Lilly Family School of Philanthropy, hosted the first annual Symposium on Zakat in Contemporary United States at the Islamic Relief USA Headquarters in Alexandria, Virginia, on November 18–19, 2024. This symposium was a meeting of select Islamic scholars and leaders to discuss contemporary issues of zakat in the United States using Chatham House Rules to allow for a robust and frank discussion. Muslims in the United States are highly diverse, which results in a diverse set of opinions and debates related to how zakat can be collected and distributed among Muslims, non-Muslims, and potentially others in the United States. This white paper presents six key insights that emerged during the symposium on the role of zakat in the contemporary United States and helps us develop consensus on some of these issues.

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About LFSOP

The Indiana University Lilly Family School of Philanthropy in Indianapolis is dedicated to improving the world by training and empowering innovators and leaders to create positive and lasting change. The school offers undergraduate, graduate, certificate and professional development programs, and research and international programs through The Fund Raising School, the Lake Institute on Faith & Giving, the Mays Family Institute on Diverse Philanthropy and the Women's Philanthropy Institute.

About Muslim Philanthropy Initiative (MPI)

The Muslim Philanthropy Initiative is a project of the Dean and the Lake Institute on Faith and Giving and is a part of the Indiana University Lilly Family School of Philanthropy. It focuses on understanding and helping further enhance contemporary and traditional aspects of Muslim philanthropy in all its facets. MPI convenes scholars and philanthropy professionals to explore issues and research in the field, hosts symposiums and seminars, and provides education and training. By seeking to further research in this under studied area, helping to develop thought leadership and inform conversations, and training philanthropic and nonprofit leaders within Muslim philanthropy, the initiative helps build capacity in the Muslim philanthropy sector while adding to the body of knowledge about the rich tradition and practice of philanthropy in Islam.

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Introduction

Zakat, one of the five pillars of Islam, is an obligatory form of almsgiving required by God for all eligible Muslims and is explained as a form of financial worship (Benthall, 1999; Hanif, 2022; Singer, 2013) aimed at redistributing wealth and alleviating poverty within the global Muslim community. Scholars have argued that zakat works as a state-collected alms tax, by which Muslims give a portion of their surplus wealth in the name of God to support those in need, namely the poor. Currently, Muslims pay their zakat directly to individuals or through intermediaries, including, but not limited to, the state, the mosque, Muslim foundations, nonprofits, and humanitarian relief organizations (Abraham, 2018; Henig, 2019; Schaeublin, 2019).

While widespread zakat research investigates scholarly viewpoints, religious texts, and historical practices, limited research exists regarding lived perspectives and contemporary practices. Many nonprofits in the United States offer tools, including, but not limited to, online zakat calculators, online fatwa services, and YouTube sermons on performing charitable acts. However, we must enhance our understanding of how, where, and why people give zakat across socioeconomic demographics such as age, education, income, and political ideology.

Zakat eligibility is one of the major questions. It is of vital interest and religious importance to scholars, practitioners, community members, and community leaders, including, but not limited to, the idea of who can receive zakat and for what causes. The Qur'an (9:60) details eight categories that are eligible to receive zakat: Zakah expenditures are only [1] for the poor and needy, [2] for those employed to administer it, [3] for bringing hearts together [for Islam], [4] for freeing captives [or slaves], [5] for those in debt, [6] for the cause of Allah, [7] for the [stranded] traveler, and [8] for an obligation [imposed] by Allah. And Allah is Knowing and Wise (Sahih International) (Hughes et al., 2023).

This white paper presents the six key highlights that emerged from the Symposium on Zakat in Contemporary United States, reflecting the collective insight of the participating scholars and leaders. The six highlights are Zakat policy, reciprocity, community, authority, administrative cost, and MPI data on contemporary giving practices.

Symposium on Zakat in Contemporary United States

This symposium took place at the Islamic Relief USA Headquarters in Alexandria, Virginia, on November 18–19, 2024. It brought together an esteemed group of scholars, community leaders, and zakat practitioners across the United States. The event was conducted under Chatham House rules, ensuring the discussions were open and candid, fostering a productive and collaborative atmosphere. The symposium aimed to address the evolving role of zakat in the Muslim-American community, with particular emphasis on institutional zakat policies, the maintenance of trust between zakat donors and recipients, and the importance of bridging gaps within the diverse Muslim community.

Islamic Relief USA Zakat Policy

The Zakat policy of Islamic Relief USA was presented at the symposium, and it was shared with attendees for their review and feedback. The policy served as a framework for how Islamic Relief USA collects, allocates, and distributes zakat funds, ensuring compliance with Islamic principles and contemporary needs. The attending scholars and leaders commended Islamic Relief USA for creating a comprehensive zakat policy. Islamic Relief USA's zakat policy was regarded as a paragon of good stewardship for Islamic charitable organizations in the United States and a vital step toward cultivating trust within the community.

Islamic Relief USA has become the most significant humanitarian muslim faith based organization in the country. It accordingly finds itself confronted by challenges that have been dormant for a long time or are altogether unprecedented. The present political environment necessitates Islamic Relief USA and other zakat-collecting organizations in the United States to develop more systematic and concrete policies. The process of creating the Islamic Relief USA zakat policy started when Islamic Relief USA selected four scholars representative of the Muslim-American community's geographical, theological, and legal diversity to assist it in developing and publishing a zakat policy. The board-led process spanned 18 months, beginning in June 2021 and concluding in November 2022, and involved various executives and directors from multiple departments. Terminology was debated, financial reports shared, and extensive revisions implemented. Following a line-by-line review of the policy, every page was initialed by the four scholars who volunteered their time over those 18 months to ensure a strong policy. This policy would be open to an annual review of compliance.

Publishing a zakat policy invites scrutiny, which was the goal. To identify the key challenges facing zakat organizations in the United States and begin formulating solutions, Islamic Relief USA invited scholars and academics to a two-day symposium in its office in Alexandria, Virginia. Across two days of vibrant and sometimes heated discussion, several themes emerged—or rather, recurring questions. These many questions can be reduced to three, each bearing upon a critical facet of zakat. At the nexus of these three questions, or themes, we can locate the challenge and the promise of zakat in the United States.

- **Reciprocity:** Who or what is eligible for zakat disbursement?
- **Authority:** Who decides how to collect and disburse zakat?
- **Community:** Where does the Muslim-American community stand between the authorities and the recipients?



Reciprocity

A key highlight of the symposium was the discussion on the concept of reciprocity. Scholars agree that the Muslim-American community is highly diverse, with variable explanations of Islamic theology, cultural practices, and ethnic backgrounds. This diversity has generated diverse perspectives on zakat and differences in how zakat is understood and practiced. Scholars and leaders at the symposium highlighted the significance of bridging these gaps, mentioning that diversity must be addressed with respect and understanding. The symposium underscored that the dissimilarities in zakat rulings should not be a cause of discord within the Muslim community. Attention was called for amplified collaboration between different scholars, institutions, and zakat practitioners to establish a unified yet diverse framework for zakat in the United States. This approach would help ensure that zakat is practiced in ways that are both theologically sound and contextually appropriate for the Muslim-American community.

Much of the discussion revolved around the juridical question of what qualifies as zakat, especially in the modern and diasporic context of the Muslim community of the United States, and to whom and for what purposes it can be disbursed. It also revolved around two interrelated questions: whether zakat can be disbursed to non-Muslims and whether it can be used for advocacy.

Can zakat money be disbursed to non-Muslims? The overwhelming majority of the scholars concurred that non-Muslims were eligible for zakat, based on examples set by several of the Prophet's Companions and Successors. Further support was drawn from juridical precedent, including the ruling of Egypt's Dar al-Iftaa. In other words, it is far from a novel position. There is broad consensus around the idea that non-Muslims can receive zakat, but that priority should be given to Muslims.

If indeed non-Muslims can receive zakat, the question becomes to what degree. What are the metrics? What is the framework? At present, for example, the Islamic Relief USA policy is to give non-Muslims non-zakat funds until no longer possible (owing to lack of funds or exceptional circumstances). However, arguments by several scholars suggest that such a policy is unnecessarily stringent. It was observed that there is a targeted benefit in providing a safety net for society's lowest class, which eventually benefits society at large, Muslims and non-Muslims alike. Therefore, it may not be necessary to distinguish between Muslims and non-Muslims in these circumstances strictly.

Scholars also observed that the religious pluralism of the American context renders difficult the establishment of any clear-cut distinction between Muslims and non-Muslims. Some converts pronounce the testimony of faith and formally convert but do not follow up to observe their practice (or lack thereof). Then there are the multifaith families—can a Muslim husband be given zakat but be instructed to deprive his Christian wife of it? Such scenarios underline the need to develop an approach to zakat attuned to the subtleties and difficulties specific to the American context.

Several scholars argued that non-Muslims could receive from the category allocated to *al-mu'allafa qulubuhum* (those whose hearts are to be reconciled), which includes giving to non-Muslims to attract them to Islam. However, it was also observed that no less than Omar ibn al-Khattab gave zakat to a Jewish man only to assuage his need rather than in the hopes of his conversion. Furthermore, it was argued that Allah does not differentiate between a Muslim and a non-Muslim miskeen (poor), especially in extreme crises. It would be unthinkable, for example, to distinguish between Muslims and non-Muslims when disbursing zakat donations in a natural disaster or war zone. The classical jurists worried about non-Muslims being served zakat at the expense of Muslims; if they are served equally, there should be no issue. The Muslim community must give back to the community at large. The 1/8 allowance for non-Muslims is flexible.

The third major question regarding disbursement was related to advocacy. The discussion centered on three main questions: Can zakat be allocated for advocacy? If so, what proportion of zakat should be dedicated to advocacy efforts? Who is responsible for determining this allocation?

Regarding the first question—can zakat be allocated for advocacy—scholars referred to certain fatwa that permit using part of the zakat for lobbying and advocacy, based on fiqh principles, such as “Should a duty not be fulfilled except by a matter, that matter becomes a duty,” and “Warding off evils and bringing benefits.” They also again cited *al-mu'allafa qulubuhum*, which includes giving to protect Muslims from harm or to gain the support of non-Muslim allies. Given the practical concern that the collection of zakat in the United States could be hindered unless some of it is allocated for advocacy efforts, scholars concluded that using zakat funds for advocacy in this context is permissible. In summary, there is a belief that advocacy is a critical component of zakat in two ways: (1) Islamic institutions are under attack, and in the past zakat money has been used for advocacy; (2) Zakat, when allocated to initiatives aimed at eradicating poverty.



Authority

Does Islamic Relief USA or its peers act as wakeel (agents who collect and distribute zakat based on the donor's instructions) or as wali or sultan (authorities who allocate zakat based on *maslaha*—the greater community benefit)? Some scholars argued that in the absence of a sultan (as is the case in the United States), the sultan's responsibilities shift to Muslim scholars and community Islamic nonprofits, who then act as representatives of the sultan (but only in matters of religion rather than government, which commands the powers of legal and military enforcement). The scholars issue fatwas determining what is zakat-eligible and how much zakat should be allocated to advocacy, while the organizations determine the percentage in line with these fatwas. This reasoning is supported by the 11th-century Shafi'i jurist Imam al-Juwayni, who stated that in the absence of a sultan, matters of governance are entrusted to scholars. According to al-Juwayni, it is the right of the people, regardless of their status, to seek the counsel of scholars, whose rulings then serve as the guiding authority in governance and decision-making.

A few scholars emphasized the importance of involving the ulema in a fatwa-giving capacity, as such normative guidance helps protect against the reduction of Muslims to a cultural, imam, or ethnic group. Zakat policy should not be formulated with appeals to general *maslaha* but rather properly substantiated by Islamic sources so that the broader Muslim community trusts its policies. To that end, Islamic Relief USA, with the support of the Fiqh Council of North America, is in the process of setting up a supervisory body akin to the ulema, to galvanize all other Muslim organizations to follow.



Community Trust

The symposium attendees repeatedly noted extensive confusion in their congregations and communities regarding the mechanics of zakat (who should collect it, where to learn about it, and whether it even works). This confusion by both laymen and religious leaders was obvious and noted. These anecdotal observations of financial illiteracy are backed by an Indiana University Philanthropy Initiative survey that found that a full one-third of American Muslims are unsure that they understand zakat (but which also shows they're open to learning about it). In addition to this survey, another survey analyzing the understanding and practices of zakat in the United States was administered for this symposium. The survey was completed by individuals who had previously donated to Islamic Relief USA or participated in a research project related to Islamic Relief USA. This survey was conducted by the Muslim Philanthropy Institute at the Indiana University Lilly Family School of Philanthropy (Samad et al., 2024).

Thus, the attending scholars identified an urgent need for systematic and widespread financial education in the Muslim-American community. Such an initiative must include imams (congregational/masjid leaders) and scholars. Many imams have a poor understanding of zakat, and even learned scholars may not have much training in Islamic finance or familiarity with the unique challenges posed in the American context.

The scholars also stressed that financial education should constitute only one part of a multipronged approach. Building philanthropic tools must be given equal priority, as must developing a more ambitious overarching economic vision. One scholar thought that Muslim Americans have not made much progress since the 1990s and that, in fact, we have submitted to the capitalist system and settled for patching it without offering true Islamic alternatives. Where are Islamic economics, finance, and banking today? In response, a few scholars suggested that the two economic systems (capitalist-riba and Islamic) can coexist and compete.

Trust between zakat-collecting institutions and the community is very important and can be built and maintained by having written zakat policies for institutions collecting zakat. These institutions need to publish these policies on their websites and include the names of the scholars who helped them create the zakat policy. Scholars and leaders highlighted the need for institutional zakat policies across the Muslim community in the United States. They emphasized that transparency and accountability were fundamental to maintaining donors' trust. Many institutions that collect zakat, they pointed out, lack publicly accessible and well-documented policies that outline their processes, criteria for zakat distribution, and accountability mechanisms. Scholars argued that every institution collecting zakat should have a clearly written and publicly available zakat policy. These policies should detail how funds are collected, managed, and distributed, providing transparency that builds donor confidence.

To further enhance trust, scholars suggested that institutions publicly list the names of the scholars or experts involved in creating and reviewing zakat policies. This transparency would help reassure the community that the policies are developed with genuine Islamic scholarship and expertise. The scholars and leaders agreed that having such policies not only promotes trust among donors but also strengthens the integrity of the zakat process, aligning it with Islamic principles of justice and equity.

The end goal of community engagement must be community buy-in. Islamic Relief USA leaders acknowledged that the organization must prioritize building communal trust, as it relies entirely on the mercy of its donors and on the community more broadly. The general goal, ultimately, is to go beyond building trust in and among centralized zakat collecting institutions. However, as one Islamic Relief USA executive noted, while Islamic Relief USA is not the sultan, it leads by default in the humanitarian space and is treated as such by friends and critics. Islamic Relief USA accordingly bears the responsibility of modeling the standard for Islamic humanitarian organizations and sharing its experience and insight with the community of which it is a part.

Administrative Cost and Muslim Practitioners

While discussing the concept of administrative cost, scholars highlighted the ongoing debates and discussions around the concept of zakat and administrative cost. It is critical to understand this concept. Administrative costs are an indispensable aspect of nonprofit operations, including human resources, administration, infrastructure, and compliance. While it is an ideal stance for nonprofits to reduce these overheads and amplify direct aid, decreasing administrative staff can weaken the capacity of an organization to function efficiently and effectively. It is important to recognize that nonprofits require efficient management and supervision to ensure that resources are used ethically, lawfully, and transparently. This concern is particularly obvious from the perspective of zakat administration, where a percentage of zakat funds are designated for administrative costs. Demanding that nonprofits decrease administrative costs and, at the same time, increase performance can create an unmanageable condition, as cutting administrative costs can hamper their ability to efficiently and effectively provide needed help.

Scholars expressed various opinions regarding the proportion of zakat that should be allocated to advocacy efforts. Some argued that determining the percentage is an administrative decision rather than a sharia-based ruling. They emphasized that this decision falls under administrative *ijtihad* (a process in Islamic law where a scholar provides an independent interpretation of issues not explicitly covered by the Qur'an or Hadith) and should be guided by the principle of “warding off evils and bringing benefits.” However, they agreed that the allocation must remain reasonable. A minority suggested that the proportion should not exceed one-eighth of the collected zakat, though this view did not receive widespread support. Ultimately, the question remains: On what basis should an organization decide the appropriate percentage of zakat for advocacy efforts? Furthermore, the category of *al-mu'allafa qulubuhum*—key to justifying zakat disbursement to non-Muslims and for advocacy efforts—has boundaries, and historically the sultan has determined those boundaries. Thus, the question of whether zakat-collecting organizations could determine those boundaries was inextricable from the question of their authority.

In addition, frequent discussions focused on the considerable stress and challenges Muslim practitioners face in community dynamics. Scholars pointed out that many members of the Muslim community are under immense pressure, especially those involved in the administration and collection of zakat. This stress can sometimes lead to hasty decisions or rulings, which may not always be in the community's best interest or in accordance with the Islamic spirit of zakat. Therefore, understanding the context before issuing fatwas or religious rulings regarding zakat is critical. Scholars need to consider situations in the field and the challenges of community members. This understanding is imperative in offering contextually appropriate and compassionate rulings. Scholars should recognize the intricacies and anxieties the community faces.

The aim should be to offer guidance that helps alleviate burdens rather than exacerbate them. There is increasing acknowledgment of the stress encompassing zakat administration, particularly in a Muslim-minority society, which requires training and formal support mechanisms.



MPI Empirical Data

The research by the Muslim Philanthropy Initiative (MPI) at the Indiana University Lilly Family School of Philanthropy on Muslim giving is partially funded by Islamic Relief USA. Since 2020, MPI has conducted yearly surveys on Muslim giving, providing insights into trends, preferences, and demographic influences. Based on a close examination of these practices, this paper aims to inform readers how Muslim Americans engage with charitable causes, support local and international efforts, and navigate the intersection of faith and philanthropy. This analysis offers a unique perspective on how giving within the Muslim-American community addresses diverse needs and supports meaningful social impact.

The symposium highlighted four years of data. The analysis is based on survey data collected from a representative sample of Muslim Americans over four years (2020–2024), capturing various giving practices, preferred donation methods, and demographic insights. These data examine the philanthropic practices of Muslim Americans, with a comprehensive look at various forms of giving rooted in Islamic values. Muslim giving encompasses a broad spectrum of charitable activities, from financial contributions to direct support for individuals and communities. These practices serve multiple purposes, from alleviating poverty and promoting social justice to strengthening community ties and fulfilling religious commitments. By shedding light on the values and behaviors underpinning Muslim philanthropy, we can understand how Muslim Americans contribute to societal well-being within their own communities and beyond.

Muslim Americans are a diverse community, estimated at 3.45 million, with no single ethnic majority. They represent a variety of backgrounds, with significant portions identifying as Asian, Black, Hispanic, and White. Their charitable practices reflect this diversity, often blending traditional Islamic values with modern philanthropic approaches. The survey results show that Muslim Americans gave approximately \$1.8 billion in zakat in 2021, with individual contributions averaging over \$2,000. Zakat among Muslim Americans is seen primarily as an act of charity or philanthropy, aligning closely with the concept of voluntary community support and emphasizing immediate relief and humanitarian assistance. Informal giving remains popular, but many also engage with domestic and international nonprofits, underscoring a dual commitment to local and global impact.

Zakat is often debated as a form of either philanthropy or charity. While both terms involve helping others, "charity" typically denotes direct support to individuals or causes in need, often driven by compassion, whereas "philanthropy" implies a broader commitment to social improvement and strategic giving for long-term impact. Most Muslim-American respondents primarily see zakat as an act of charity. This strong association reflects the prevalent view that zakat directly addresses immediate needs and supports those facing financial hardship. Overall, these findings underscore that Muslim Americans largely perceive zakat as a charitable act, with philanthropy as a secondary association and minimal alignment with the concept of taxation.



Conclusion

The Symposium on Zakat in Contemporary United States emphasized the need for transparency, understanding the pressures facing zakat practitioners, the need for zakat-collecting institutions to develop and publish zakat policies, and bridging the gap between religious scholars, academics, community leaders, and practitioners. By adhering to these principles, the Muslim-American community can ensure that zakat remains a tool for justice, compassion, and empowerment, fostering a sense of trust and unity among donors, recipients, and zakat practitioners alike. The symposium concluded with reflections on what a universal zakat policy—not principle—might look like for Islamic humanitarian organizations operating in the United States or the West more broadly. It was agreed that a minimum of three conditions should be met: (1) if an organization collects zakat, there should be a zakat policy; (2) the policy should be written, published, and disseminated; (3) the ulema (religious scholars) should be involved in the formulation of the policy, and their names should be published. In other words, it is a threefold principle: published, public, and ulema-informed. Transparency is key; donors can rest assured that their money will be handled appropriately and responsibly—and critics cannot deny that respectable scholars were involved in drafting the policy. Scholars suggested that more in-depth discussions on diverse perspectives from diverse communities are needed, as well as annual conferences where scholars and practitioners from diverse backgrounds come together to discuss the intricacies of zakat in the contemporary United States.



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Appendix

Islamic Relief USA Zakat Policy

Read Islamic Relief USA's 2023 Zakat Policy

The zakat policy of Islamic Relief USA was developed in consultation with the following Islamic scholars who volunteered their time to guide the development of this document. This policy took eighteen months to develop. The scholars included:

Sheikh Dr. Muzammil H. Siddiqi (CA)

Sheikh Dr. Zulfiqar Ali Shah (WI)

Sheikh Dr. Mohammed Moussa (NJ)

Sheikh Dr. Saad Eldegwy (CA)

1.0 Purpose

To outline Islamic Relief USA's policy positions on the collection, handling, programming, and disbursement of funds intended to be used for Zakat, in accordance with Islamic Law (shari'ah). This policy seeks to ensure that Islamic Relief USA's global Zakat activities are in full accordance with the teachings of Islam, thus enabling Islamic Relief USA to fulfill its trust/amanah in the best way possible.

Overall categories of Zakat have been clearly outlined in the Qur'an, but the rulings surrounding implementation can be complex and subject to a diverse range of opinions. As a non-partisan, non-sectarian organization, inspired by Islamic values and principles, Islamic Relief USA strived to accommodate the diversity of thought and belief within the Muslim-American community when developing this Zakat policy.

The specific aims are:

- To ensure appropriate governance of the trust from a theological perspective, in accordance with relevant IRS & Attorney General (AG) regulations related to nonprofit organizations' use of designated/restricted fund
- To provide clear guidance to Islamic Relief USA staff and partners on how Zakat funds should be collected, allocated, distributed, monitored, and reported on
- To provide clarity to donors and beneficiaries on how they can expect Islamic Relief USA to collect, allocate, and distribute Zakat funds as an agent that administers Zakat on their behalf
- To improve internal and external communications on Islamic Relief USA's activities related to Zakat
- To ensure that Islamic Relief USA's Zakat activities are conducted in the most transparent and Islamically-compliant manner possible
- To enable Islamic Relief USA to utilize Zakat within our programs in a manner that ensures maximum impact and efficiency in alleviating suffering and poverty

2.0 Definitions

Allowable Support Cost Rate: Zakat funds that Islamic Relief USA is permitted to utilize for its operations and programs, through the course of distributing Zakat to those who are eligible, as administrators of Zakat. The allowable support cost rate shall not exceed 20%, inclusive of Islamic Relief USA Direct Zakat Program Support Costs and Indirect Zakat Program Costs at the implementing partner/field office level.

Islamic Relief USA Program and Overhead Costs for Zakat:

- **88% for Zakat Program Costs:** Zakat program costs provide aid and services to beneficiaries. This includes costs required to implement the project, which may be shared between different projects and services to maximize efficiency, and salaries for Programs staff and portions of staff salaries for roles that provide support towards implementation of programs—these are essential for ensuring project results are delivered.

- **2% for Islamic Relief USA Worldwide Indirect Zakat Program Costs:** These include IT, HR, or Finance costs that cannot directly be linked to the project but are required in order to effectively implement the project in the field.
- **10% for Islamic Relief USA Administrative Costs:** Expenses reported on the IRS 990 by Islamic Relief USA for all costs that cannot be directly linked to a program. These costs are leveraged to ensure that our work is impactful, effective, up-to-date and in compliance with all necessary laws and practices, is innovating to increase efficiency, and supports the essential departments that keep our organization running at optimal levels. Islamic Relief USA overhead costs are used to cover Legal, Finance, IT, HR, fund development, marketing, communications, and volunteer engagement, including staff salaries. Islamic Relief USA overhead costs also pay for advertising, events, technology, software, supplies, utilities, and other office-related expenses.

Beneficiaries: Individuals, households, or communities that receive benefit through the provision of aid and/or services both directly and indirectly.

Sadaqah: Voluntary charity that may be given by donors at any time and may be used to fulfill any charitable need of the organization or individual recipients.

Zakat: One of the five pillars of the Islamic faith requiring Muslims who meet the necessary criteria to give a part of their wealth each year to a charitable cause.

3.0 History

Islamic Relief USA has adapted a similar Zakat Policy as one developed by Islamic Relief USA Worldwide, and updated it to fit the US context. Islamic Relief USA has formed an internal Zakat Committee, which has reviewed the IRW Zakat Policy and provided feedback and guidance to inform the development of the Islamic Relief USA policy. The Islamic Relief USA Zakat Policy has been reviewed by the internal Zakat Committee, the Executive Committee, and the Board of Directors. A thorough review of the policy has been conducted by respected US-based Islamic Scholars, namely:

Sheikh Dr. Muzammil H. Siddiqi (CA)

Sheikh Dr. Zulfiqar Ali Shah (WI)

Sheikh Dr. Mohammed Moussa (NJ)

Sheikh Dr. Saad Eldegwy (CA)

The scholars consulted are not responsible for either the implementation or compliance of Islamic Relief USA with the policy. The final version of this policy will be considered and approved by the Islamic Relief USA Board of Directors and Executive Committee. Implementation of this policy is the responsibility of Islamic Relief USA only.

4.0 Applicability

Islamic Relief USA recognizes the importance of transparent and accountable governance of zakat funds based on the overarching principles outlined in the Qur'an and sunnah from a theological perspective, in addition to the relevant IRS and Attorney General (AG) regulations concerning nonprofit organizations in the US.

This policy ensures a consistent approach to zakat funds, with detailed and relevant guidance centrally disseminated. This policy will assist with:

- Guiding Islamic Relief USA on which projects are eligible to receive Zakat
- Establishing a process for decision-making and accountability for Islamic Relief USA regarding allocation of Zakat funds
- Consolidating scholarly opinions on issues relating to Islamic Relief USA Zakat activities, such as questions around support costs or the disbursement of Zakat to different categories of beneficiaries



- Establishing a policy framework to measure against to ensure the collection, allocation, distribution, monitoring, reporting, and outcomes of Zakat funds entrusted to Islamic Relief USA and its partners are transparent, participatory, efficient, and compliant with Islamic principles
- Driving higher levels of internal and external transparency on the collection, allocation, disbursement, monitoring, reporting, and impact of Zakat funds entrusted to Islamic Relief USA.

5.0 Policy

As one of the fundamental pillars of Islam, Islamic Relief USA believes that Zakat is at the core of our work. Islamic Relief USA is in a unique position to assist Muslims in fulfilling their obligations, by providing a means for their Zakat funds to assist in protecting lives and dignity, strengthening communities, and lifting people out of poverty around the world.

As such, Islamic Relief USA takes the responsibility placed on it by donors, beneficiaries, and Allah (SWT) seriously in order to distribute Zakat in accordance with Islamic values and teachings. This policy seeks to ensure that Islamic Relief USA's global Zakat activities are in full accordance with the teachings of Islam, thus enabling Islamic Relief USA to fulfill its responsibility in the best way possible.

Collecting Zakat Funds

- Islamic Relief USA shall provide clear and accessible guidance to donors on the importance of paying Zakat and support them in calculating how much Zakat they are obliged to pay both online and in-person.
- Islamic Relief USA allows donations to be collected under country-restricted Zakat funds or the Global Zakat fund.
- All fundraising materials for Zakat will include a disclaimer (clearly visible to the donor when making their donation) indicating that where Islamic Relief USA is unable to spend restricted Zakat in the requested manner, Zakat will be reallocated to where it is most needed within the framework of Islamic Relief USA Zakat Policy.
- Frontline teams (Marketing, Fundraising, Volunteer Management) will be trained on Zakat eligibility criteria, basic elements for calculating Zakat obligations, and on Islamic Relief USA protocols for managing and reporting on Zakat funds so they will be able to provide clarity and understanding to stakeholders.
- Zakat funds will only be allocated based on criteria that follows below.
- Islamic Relief USA acts as an agent to collect and distribute Zakat funds on behalf of its donors as soon as practicable, but the donor's religious obligation is fulfilled once their Zakat has been paid to Islamic Relief USA.
- Islamic Relief USA will consider a range of projects that will be funded with these resources, and will allocate to both emergency and long-term development projects that strive to alleviate poverty for vulnerable groups. Long-term development projects require more time to implement, but yield a higher impact. To balance the need for more time to implement these projects using Zakat and the desire to deliver Zakat to eligible recipients in a timely manner, Islamic Relief USA will apply Zakat funds towards projects that are close to their completion whenever possible to reduce the time to disburse donor Zakat funds. Otherwise, Zakat funds will be applied to projects from their onset and will be fully disbursed upon their completion.
- Zakat will be utilized in a way that provides long-term solutions to the deprivations or needs of an individual, thus creating more Zakat donors and less Zakat recipients globally. This could be achieved through developing sustainable development projects, investing in the provision of basic needs, or supporting other sustainable development activities for individuals in poverty. Islamic Relief USA will strive to lift individuals out of poverty through its sustainable development projects, especially where Zakat funds are applied, to facilitate supporting the lifetime needs of those eligible to receive Zakat

under this category.

- Zakat will also be utilized to support immediate, short-term needs of individuals, particularly those affected by disasters and humanitarian crises. Short-term solutions deliver life-saving aid and recovery support that enable individuals to be sustained through periods of volatility and insecurity, and allow them to have losses restored so they may resume their previous living standards, or even improve upon previous standards.
- Zakat will be delivered to eligible recipients in the form of cash, goods, or services. Ultimately, the aim of Zakat is to alleviate poverty for the vulnerable, poor, and ultra-poor, and Islamic Relief USA's distribution of Zakat must fulfill this purpose above all else.
- Zakat is a restricted fund category and accounting for Zakat funds must separately indicate income and expenditures from all other funds with a justification provided for every project that receives Zakat allocations. IRS and AG regulations relating to fund restrictions must be adhered to in addition to what is outlined in this policy.

In the event that funds cannot be distributed to a country to which Zakat funds have been restricted, Islamic Relief USA must make a determination based on the context and most-suitable scenario for how Zakat funds will be best utilized for the alleviation of poverty and suffering. Islamic Relief USA shall consider any of the following options:

- Rejecting the donation and/or refunding the donor
- Communicating with the donor about Islamic Relief USA limitations for spending Zakat funds as intended and encouraging funds to be re-allocated to Global Zakat or another country where funds may be utilized
- Further postponing the allocation of funds until a more suitable condition has materialized in the country
- Re-allocating Zakat funds to a comparable project within a country, in accordance with Islamic Relief USA's legal disclaimer. Donors will be informed of any changes made to how their Zakat funds are utilized within the same country
- Re-allocating Zakat funds to a different country, with the prior knowledge of the donor, provided they do not object to this change within the specified timeframe

Islamic Relief USA will focus its Zakat implementation in areas where there is Muslim majority. However, as a humanitarian organization, Islamic Relief USA will do this in a way that does not discriminate between beneficiaries on the grounds of race, religion, gender, or ability, and is bound by the internationally recognized humanitarian principles of impartiality, neutrality, independence, and humanity.

To ensure non-Muslims in such situations receive the same level of assistance, additional funding will firstly be sought from other sources of funds. In exceptional cases only, if other funds are not available then Zakat shall be used to support non-Muslims, with the approval of the donor.

Eligible Zakat Recipients

The Qur'an clearly outlines the eight (8) categories of people who are eligible to receive Zakat in verse 60 of Surah Taubah: Alms are meant only for the poor, the needy, those who administer them, those whose hearts need winning over, to free slaves and help those in debt, for God's cause, and for travelers in need. This is ordained by God; God is all knowing and wise (Al Qur'an, Surah Taubah, Verse 60).

Islamic Relief USA staff must only distribute Zakat to projects or beneficiaries which are eligible according to the categories outlined here. When allocating Zakat funds to projects, Islamic Relief USA staff must provide a justification as to how this project matches the criteria of Zakat.

While the categories themselves are clearly set, their definition and interpretation – particularly in the current context – requires some clarification.

Categories 1 and 2: Fuqara and Masakin (Poor and Needy)

1. Islamic Relief USA recognizes that in mentioning both fuqara and masakin, Allah (SWT) is guiding us to address the needs of both the poor and the ultra-poor. As such, it is critical that the needs of the ultra-poor are considered and prioritized when applying Zakat funds.
2. Islamic Relief USA recognizes that poverty is multidimensional and cannot be measured by a monetary index alone. Poverty manifests itself in different ways depending on the context, as standards of poverty vary from country to country. As such, it is incumbent to justify how Zakat recipients are considered fuqara or masakin, referencing national and/or international standards (such as the Multidimensional Poverty Index) when allocating Zakat funds to projects.
3. Islamic Relief USA believes that emergency relief survivors are considered fuqara and masakin, and Zakat funds can and should be used for emergency relief activities. This includes the provision of cash, food, shelter, medication and healthcare, water and sanitation, education, or any other items or activities which can alleviate the poverty or suffering of affected individuals.

Sectors

- Food Security and Livelihood
- Emergency Response and Preparedness
- Seasonal Programs
- Orphans and Vulnerable Children
- Education
- Water, Sanitation, and Hygiene

Category 3: 'Amileena 'Alayha (Administrators of Zakat)

1. Islamic Relief USA believes that Islamic Relief USA employees are considered legitimate administrators of Zakat. As such, Islamic Relief USA is permitted to take an allowable support cost from Zakat funds to cover Program Indirect Costs & Islamic Relief USA Overhead Costs as they relate to the collection, allocation, and distribution of Zakat.
2. Critically, any funds taken from Zakat to cover Program Indirect Costs & Islamic Relief USA Overhead Costs must not exceed the total allowable support cost rate, across all parties.
3. When Program Indirect Costs & Islamic Relief USA Overhead Costs required for project implementation exceed the allowable support cost rate, Islamic Relief USA must identify other means through which to fund the additional costs (e.g. general unrestricted funds for relevant projects).
4. Islamic Relief USA will ensure that all staff engaged in working with Zakat receive adequate training on the rulings, policy, and guidelines related to Zakat.

Category 4: Mu'allafati Quloobuhum (To Reconcile Hearts)

1. As a humanitarian agency, Islamic Relief USA does not engage in any proselytization activity, which has been interpreted as the main application of this category.
2. Interpreting Islamic Relief USA's peace-building and conflict transformation work is considered as a legitimate interpretation of mu'allafati quloobuhum. This is especially relevant in our work with communities affected by conflict and engaged in competition over limited resources, especially as a result of climate change and displacement.
3. Public Affairs & Advocacy work that serves to educate the public on critical needs and issues is considered Zakat eligible. This work also mitigates Islamophobic risks and builds alliances for Islamic Relief USA that prevents harm that may come to the organization and beneficiaries.
4. Spending in this category will not be used for political contributions or political activism. Zakat funds

will primarily be used to support event-based activities and staffing costs in this area.

5. Project Examples: Peace-building between refugees and host community

Category 5: *Riqaab (Emancipation of Slaves)*

- Where Islamic Relief USA finds people suffering from a modern form of slavery – such as bonded labor, forced labor, human trafficking, or inmates – Zakat funds shall be utilized to emancipate people from such forms of slavery and to prevent at-risk individuals from falling into such hardships (provided that the Zakat funds do not profit “slave-owners” who have violated national or international law).
- Project Examples: Child protection/anti-trafficking; Anti-slavery project in Mali; Green Re-entry project with IMAN Chicago (Halfway House)

Category 6: *Gharimeen (Those in Debt)*

1. Islamic Relief USA will use Zakat funds to assist individuals in need who are suffering from an immediate debt, the repayment of which is preventing their basic needs from being met.
2. Zakat will be used to fund Islamic microfinance loans provided to individuals in need, with the understanding that the funds will be repaid and re-distributed. There are no requirements for ownership of the Zakat for the recipient in this category (See section on Ownership). Murabaha loans may not be disbursed using Zakat funds, but administrative fees for Islamic Microfinance services may be collected from loan recipients that receive Zakat funds.
3. Zakat funds will be used to pay unsustainable/unrecoverable debts. For example, in microfinance projects, Islamic Relief USA is permitted to create an accounting write-off against the individual's loan records using Zakat funds if the individual has incurred such a debt.
4. Project Examples: Food Security and Livelihood

Category 7: *Fi Sabeelillah (In the Cause of God)*

1. It is permissible to fund communal welfare assets and projects, such as clean water sources, health clinics, critical medical equipment, temporary food producing outlets (e.g., bakeries), water containers, schools, training centers, seed banks, communal farmlands, water dams, etc., to reduce poverty and hardship in disadvantaged communities.
2. Islamic Relief USA shall only fund Public Affairs or Advocacy work with Zakat funds, for the purpose of educating the public on critical needs and issues if specifically indicated by the donor. In exceptional circumstances when no other unrestricted funds are available Zakat funds may be used out of necessity. This is in or if specifically indicated by the donor.
3. Projects involving communal welfare will promote the principle of community empowerment through ownership. The following conditions when funding communal welfare assets with Zakat must be fulfilled:
 - The clear majority of the beneficiaries can be classified as being eligible to receive Zakat (i.e., poor, needy, travelers/refugees, etc.).
 - An assessment of the beneficiary community has been conducted, demonstrating the need for the asset in question in alleviating poverty and suffering.
 - Consent must be sought from the target community to develop or implement the proposed asset.
 - The project will ensure that beneficiaries can act as effective and responsible managers of the asset.
 - Once completed, ownership and management of the asset is transferred to the local community (e.g., to a local community cooperative comprising an inclusive group of people), with an agreement to protect the asset's intended usage for communities and individuals in need. It must explicitly state no person in need will be refused.

- The communal asset must always remain a not-for-profit property and for general welfare.
 - The asset shall not be owned by any one person or a single group of people.
4. Zakat funds will be used under this category for education and training purposes to directly teach beneficiaries about issues and skills that will allow them to come out of poverty. For example, learning how to start a home-based enterprise, farming methods, tailoring, animal rearing, health issues, hygiene and sanitation awareness, and other livelihood options.
 5. Large-scale communal assets that are funded from Zakat shall also include cost budgeting for maintenance and long-term quality assurance to ensure the investments are preserved and benefits endure for the communities.
 6. Project Examples: Water, Sanitation, and Hygiene (WASH) Projects; Supporting Health Centers; Establishing Schools

Category 8: Ibn As-Sabeel (Travelers)

1. Islamic Relief USA will use Zakat funds to provide basic needs for travelers in need and the displaced, including homeless individuals. Basic needs include, but are not limited to, food, water, sanitation, clothing, shelter, transportation, education, healthcare, rental assistance, etc.
2. Project Examples: Refugee Resettlement; IDP Camps; US Programs – Day of Dignity, Hot Meals

Additional Policies Relating to Zakat

1. Ownership

- Under the category of fuqara and masakin, Zakat will be given in the form of cash or tangible assets (e.g. books, tools, clothes, shelter, or medicine, depending on the needs of the individual) which individuals can enjoy full ownership over.
- Communal welfare assets funded under fi sabeelillah are not subject to such restrictions on ownership. Zakat funds distributed under the categories of riqaab (emancipation of slaves), gharimeen (those in debt), or ibn as-sabeel (travelers, which includes refugees or homeless people) are also not subject to restrictions on ownership.
- The beneficiaries receiving funds, equipment, and services with Zakat funds will remain the rightful owners of these and cannot be deprived of these under no circumstances.

2. Spending Zakat Locally vs. Internationally

- Islamic Relief USA will use Zakat funds both in the US and internationally based on the need, impact, donor intent, feasibility of implementation, and accountability of partners.

3. Time Period for Delivering Zakat

- Islamic Relief USA will ensure that Zakat funds are disbursed as soon as practicable.



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