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Taxes and Philanthropy Among the Wealthy

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Taxes and Philanthropy Among the Wealthy

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I. Introduction

Although it may not be the most visible manifestation of wealth, charitable giving is and has long been a hallmark of affluence. Among the most notable for their philanthropic activities are Andrew Carnegie, John D. Rockefeller, and, more recently, John Paul Getty, George Soros, and Ted Turner.[1] Wealthy patrons occupy a prominent place in the life of the nonprofit sector. They volunteer in fundraising campaigns, serve on governing boards, have buildings named for them, and receive honorary degrees. As a class, they are almost entirely responsible for the existence of private foundations. Those occupying the top rungs of the income and wealth distributions make a disproportionate share of all charitable gifts. The one percent of American households with the highest incomes made more than 16 percent of all contributions in 1994. Charitable bequests are even more concentrated, with the wealthiest 1.4 percent of decedents giving some 86 percent of all charitable bequests.[2]

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The charitable behavior of the affluent is clearly a matter of significance to the nonprofit sector. Owing to the central role that nonprofit organizations play in education, health, the arts, and human services, the sector, and thus its support, are also matters of public policy importance. Including the value of its volunteer labor, the nonprofit sector accounts for roughly 6 percent of national income.[3] Many observers expect the sector to take on an increasingly important role in the wake of government devolution. Charitable contributions remain an important source of funding for nonprofit organizations. In 1994 they represented about 18 percent of the sector's total revenues, and about a third of total revenues outside the health subsector (Hodgkinson and Weitzman 1996, pp. 40, 189). And, in light of the increased concentration of income at the top, one would expect that the role of the wealthy in the sector would grow. In particular, the prospect of a massive transfer of wealth over the next few decades includes the likelihood of some very large individual transfers, which in the past have often taken the form of new private foundations.[4]

The purpose of this chapter is to investigate the tax and financial environment of the rich as it relates to contributions, both during life and in bequests. We begin, in sections II and III, by describing the legal and institutional landscape, asking what the options are for wealthy individuals who desire to make charitable gifts, and how those options have changed. Section II deals with the tax code, paying particular attention to gifts of appreciated property, the alternative minimum tax, and the gift and estate tax. Section III focuses on giving techniques of the wealthy, including private foundations. Section IV of the chapter reviews the social science research on the question of motivations for giving. Section V describes the charitable giving of the wealthy both in life and in their bequests. It examines variations in the percentage of income and wealth given, the concentration of giving, the types of organizations supported, and the pattern of giving over time. It also examines differences in bequest giving between men and women. Section VI considers the question of permanent and transitory price effects of the income tax on charitable giving. There is a brief concluding section.

II. The Tax Environment of the Rich

The federal tax system offers a variety of incentives to make charitable gifts, largely by allowing a deduction of the amount of a charitable gift from the base of the federal income and transfer taxes. We discuss the relevant provisions below, with particular attention to their effects on high-income taxpayers.

A. Individual Income Tax

Marginal Tax Rates. The marginal income tax rate faced by wealthy taxpayers is the central variable in any analysis of their incentives to make charitable gifts. The conventional formula describing the cost of giving as $(1-m)G$, where G is the amount of the gift and m the marginal tax rate, highlights the role of rates.[5] The rate structure, and thus the price of giving, has changed many times, with no fewer than four major changes in the last 16 years alone.

Figure 1 illustrates the changes in the price of giving for high-income taxpayers since 1960. The figure depicts the cost of giving in each year for a gift of cash and of zero-basis appreciated property, respectively, per dollar of gift, for a taxpayer in the highest marginal rate bracket. The long-term downward trend in top rates and the consequent upward trend in the cost of giving are clearly discernible.

The Omnibus Budget Reconciliation Act of 1993, which modestly countered these trends, introduced a 36 percent rate which applied in 1994 to taxable incomes between $140,000 and $250,000, and a 39.6 percent rate that applied to incomes above $250,000.[6] This is, of course, exclusive of any state or municipal income taxes.[7]

Provisions Regarding Deductions for Charitable Gifts. The basic rules governing charitable contributions are reasonably straightforward. Deductible gifts are those made to governmental units or to qualifying organizations that are organized and operated primarily for religious, charitable, or educational purposes (or a few other purposes of less general import). Deductible gifts can be made in cash or in property, with the amount of the deductible contribution in the latter case being ordinarily equal to the fair market value of the property. Current deductions can be taken in some cases for contributions of future interests in property.[8]

Generally, taxpayers may deduct their charitable gifts in any one tax year only to the extent that total gifts do not exceed 50 percent of AGI. However, limitations of 20 or 30 percent of AGI may apply under some circumstances.[9] To what extent these limitations affect the amount of contributions is uncertain, but some observers have speculated that they constrain the size of gifts by the wealthy.[10]

Deduction amounts barred by these limits may be carried over to up to five subsequent tax years. One might imagine that, with limits as high as these are, taxpayers would very rarely exceed them. And, as a general matter, that is true. However, in the very top brackets, carryovers are important: for those with incomes in excess of $2,500,000 in 1995, nearly 28 percent of the 1995 charitable contributions deductions were for amounts that had been carried over from prior years. Indeed, it can be accurately said that the carryover of disallowed charitable contributions is essentially a high-bracket phenomenon, since less than 2 percent of the contributions deductions taken by taxpayers with incomes below $200,000 represented amounts carried over from prior years.[11]

Charitable gifts of appreciated property have constituted a particularly problematic aspect of the tax rules from the inception of the charitable contribution deduction. For most of the history of the tax system, for most gifts, a donor could deduct the full market value of a gift regardless of the donor's original investment in the asset. In the case of appreciated property, this is simply an accounting error: the amount of the gain should not be both excluded from capital gains and deducted as part of a charitable contribution.[12] In partial recognition of the abuse possibilities created by the fair market value rule, Congress in 1969 attached some significant limitations to such deductions, which, with minor modifications, continue to constitute the major constraints in this area. Under present law, taxpayers are limited, in effect, to deduction of their tax basis for gifts of appreciated property in several situations: gifts to "private foundations"[13] (with some exceptions noted below); gifts of property that would not be "long-term capital gain" property; and gifts of tangible personal property whose use is unrelated to the exempt purposes of the charitable organizations to which the property was given. While the 1969 act eliminated some abuses, it actually left the larger part of the problem intact since donors can still generally deduct gifts of appreciated property to public charities.

<u>The Alternative Minimum Tax.</u> Since 1979, the federal income tax has been followed by its shadow tax, the alternative minimum tax (AMT).[14] Concerned that some taxpayers with very high incomes might arrange their affairs in such a way that they had little or no taxable income, Congress created a separate--and generally more inclusive--set of income and deduction rules that would define the base of this minimum tax. High-income taxpayers are essentially required to

compute their tax liabilities under both taxes, and to pay the larger liability.

The significance of the AMT for present purposes is limited to two unrelated points. First, taxpayers whose circumstances expose them to the alternative minimum tax will generally face decisions influenced more by the AMT marginal rate than by the regular marginal tax rate. Currently, the AMT rates are 26 percent of the first $175,000 of AMT income, and 28 percent of incomes in excess of that amount, regardless of filing status.

Second, at various times in our recent tax history, certain kinds of charitable contributions involving gifts of property have been only partly deductible for AMT purposes. During those times, the AMT has had a dramatic impact on the incentives to make such gifts. These rules are explained below.

Appreciated Property Gifts and the Alternative Minimum Tax. In writing the Tax Reform Act of 1986, Congress decided that the portion of a charitable contribution that represented the excess of fair market value over basis would be treated, beginning in 1987, as a "tax preference item." The effect of this, for taxpayers exposed to the AMT, was generally to limit the deduction to the amount of the basis in the property. And, in the case of a taxpayer who was making a very large gift, or who was, prior to making the gift, close to the point of AMT exposure, a gift of appreciated property could actually create AMT liability for a taxpayer who wouldn't otherwise have faced such a situation. This was particularly troublesome for high-income taxpayers, since the AMT is, more or less successfully, targeted at them.[15]

Museums, and to a lesser degree universities, believed that this feature inflicted serious damage to their acquisition and development prospects. Efforts to undo this small piece of tax reform began almost immediately, and bore fruit--at least for museums--in 1990, when Congress temporarily suspended AMT preference treatment of charitable gifts of appreciated tangible personal property. This suspension was allowed to expire on July 1, 1992, but the continued lobbying by museums and universities ultimately led, in 1993, to a retroactive repeal of the preference treatment for contributions of tangible personal property made after June 30, 1992, and for all appreciated property contributions made after December 31, 1992.

B. Federal Transfer Taxes

The American transfer tax system was substantially revised by the Tax Reform Act of 1976, which integrated previously separate taxes into a unified transfer tax applying to all gratuitous transfers during life and at death, supplemented by a special excise tax on so-called "generation-skipping" transfers, by which assets might be passed, for example, to grandchildren rather than to children. In this way, Congress hoped to tax dynastic wealth transfers between each succeeding generation. This tax regime purports to cover all gratuitous transfers; however, several important exceptions effectively limit the applicability of the tax only to transfers of relatively large amounts. The first is the annual exclusion from the gift tax of up to $10,000 per year, for each particular combination of donor and donee.[16] The second is the "unified credit"--that is, a credit that can be used against either gift or estate taxes--of $192,800, which is the amount of tax liability generated by transfers totaling $600,000.[17] Thus, effectively, the gift and estate taxes apply only to individuals whose lifetime and at-death transfers exceed that latter sum. The third exception allows unlimited tax-free transfers to a spouse during life or at death, provided that the spouse is a U.S. citizen. Finally, there is a lifetime exemption of $1,000,000 per transferor from the generation-skipping transfer tax. The rate schedule applying to total lifetime and at-death transfers rises to a marginal rate of 55 percent on transfers to the extent that they exceed $3,000,000.[18] The generation-skipping transfer tax also has a top rate of 55 percent, resulting in a total tax rate of nearly 80 percent on transfers subject to both taxes.

The rules regarding transfer-tax deductions for charitable contributions are quite straightforward: under both the estate and the gift tax rules, the value of property given to a qualified charitable entity is simply subtracted from gross transfers, reducing the amount of taxable transfers to the full extent of the gift.[19] There is no explicit deduction for charitable gifts in the generation-skipping transfer tax rules; however, the definition of taxable transfers makes it clear that only transfers to natural persons, or trusts for the benefit of natural persons, are to be taxed.

Relatively few deceased individuals are actually subject to federal transfer taxes. In recent years, of the more than two million Americans who have died each year; only about 60,000, or less than three percent, have filed estate tax returns, and fewer than half of those were actually taxable.[20] Nevertheless, most of the top 1 percent of income taxpayers will presumably be subject to transfer taxes.[21]

It appears that the majority of decedents--even relatively wealthy ones--do not make charitable bequests. In 1995, only about a fifth of decedents filing estate tax returns made any deductible contributions. This percentage rose with the size of the estate, but only reached 50 percent for the 272 estates with net worth exceeding $20,000,000.[22] Nevertheless, those estates that do include charitable bequests convey substantial wealth to charities: the total value of such bequests in 1995 was more than $8.7 billion.

The failure of many estates to make any charitable bequests may reflect one obvious tax consideration: a charitable bequest reduces the taxable estate by the amount of the bequest, but confers no other tax benefits. A gift of the same amount given to charity during the donor's life, however, not only reduces the taxable estate, but confers as well an income tax benefit in the year of the contribution. Thus, those wealthy individuals who wish to make significant contributions to charity would generally benefit from making the bulk of such gifts during their lifetimes.

III. Giving Techniques of the Wealthy: The Institutions and Mechanisms

Although wealthy individuals and families can and do make contributions by simply writing a check to a charitable organization, tax and estate planning, and certain other non-tax goals, can frequently be optimized by more complex transfers. In this section, we consider some of the institutions used by the wealthy in making more sophisticated charitable transfers, along with some of their preferred gift techniques, concluding with some historical examples of apparently philanthropic behavior that was in fact likely to be motivated more by tax considerations than by charitable ones.

A. Control-Preserving Institutions

Private Foundations. The Federal tax law distinguishes between those charitable entities that are "public charities," receiving contributions and program revenues from a wide range of sources, and those that are "private foundations," created by one or a few large gifts, typically from a single family. Except for a minority of foundations that are "operating" private foundations (about ten percent of the total), the activities of private foundations are limited to investing and managing their capital, and making grants to other charitable organizations out of their income. Contributions to private foundations are generally fully deductible. Because they are privately funded and controlled, however, opportunities for public scrutiny are limited. The considerable potential for abuse in this situation has led over time to a wide variety of restrictions on all aspects of the organization and operation of private foundations. These provisions are numerous and elaborate; even a brief summary is beyond the scope of this paper. However, the most important of these: require distribution for charitable purposes of five percent of the assets of the foundation each year; prohibit a broad range of self-dealing transactions between the foundation and "disqualified persons"--its donors, their family members, and the foundation's board members; and prohibit the foundation from holding, in conjunction with the holdings of disqualified persons, controlling interests in corporations. There is also a 2-percent excise tax on the annual net investment income earned by private foundations, which can be reduced to 1 percent in certain cases when the foundation increases its distribution rate.

For those who propose to transfer assets of great value, the restrictions may be worth enduring in exchange for the ability to continue indefinitely to control the flow of funds to their ultimate charitable uses. Indeed, in part because they are cumbersome and expensive to create and maintain, a private foundation with an individual or family's own name on it has been something of a hallmark of great wealth.[23] Collectively, these organizations represent a significant portion of the charitable sector. In 1993, the 44,000 private foundations reporting for that year held assets of more than $207 billion, and made distributions for exempt purposes of nearly $14 billion.[24]

Congress has in recent years made it much more attractive for entrepreneurs to fund a private foundation with appreciated stock. As noted in the previous section, deductions for gifts in kind to private foundations are generally limited to the basis in the property. There are, however, some exceptions. The first exception applies to operating foundations. Gifts in kind to these foundations have always been fully deductible at the fair market value of the property given.

Another exception was added in 1984 for gifts made before January 1, 1995, to private foundations, of certain corporate stock. While Congress did allow this provision to expire, the window for appreciated stock contributions to private foundations was reopened in 1996 for the period extending from July 1, 1996, through May 31, 1997; and was extended again in the Taxpayer Relief Act of 1997 until June 30, 1998.

Short of creating a private foundation, individuals who wish to make an immediate transfer for charitable purposes (and thereby to generate an immediate tax deduction), but who also wish to continue to have some control over the future flow of charitable benefits, have a number of options. They can contribute to a donor-advised fund held by a community foundation or other charitable entity. These funds allow donors to recommend periodically the direction in which they would like their share of the foundation's income to flow. Such directions are not legally binding on the community foundation, but the level of voluntary compliance with such directives is reportedly high.[25]

Another possibility is the "supporting organization," commonly established by educational institutions and other public charities. This is an entity that would typically not qualify as a public charity, for lack of a broad base of support. However, because it is operated in conjunction with a public charity, it is exempt from the burdens associated with free-standing private foundations. Supporting organizations may maintain their own grant-making operations, as long as there is a sufficient operational or supervisory relationship with a public charity.

B. Split-Interest Trusts

A "split-interest" gift is one by which property is given to a trust, under the terms of which either the remainder interest or the income interest in the property is conveyed to one or more charitable entities, while other interests are given to specified individuals, often including the grantor of the trust. The actuarial value of the interest given to charity is allowed as a current income tax deduction in the year of funding of the trust.

Remainder Trusts. The Code recognizes three basic types of deferred gift trusts: the charitable remainder annuity trust (a "CRAT"), the charitable remainder unitrust (a "CRUT"), and the pooled income fund. CRATs and CRUTs are distinguished chiefly by the fact that the trust agreement governing the former will call for payment of a particular sum each year to the income beneficiaries, while the latter fixes the income payments in terms of a stated percentage of the then-current trust assets. A pooled income fund is a trust maintained by the target charitable organization; multiple donors can contribute remainder interests in property to such a fund, and enjoy annual income payments determined by the overall rate of return earned by the fund.

The principal tax advantage in using a remainder trust is that the trust is itself exempt from income taxation. It is thus free to engage, without tax consequences, in transactions--such as the sale of the trust assets--that would be taxable if done directly by the grantor. For example, individuals who were founders or early participants in a very successful venture may find themselves with a great deal of wealth, but in a portfolio that is exposed to an unacceptable degree of risk. For a relatively young entrepreneur, a lifetime income interest in such a venture may well amount to as much as ninety percent of its total value.[26] In such a case, creation of a charitable remainder trust may be motivated at least in part by a desire to achieve a more diversified portfolio without exposing accrued gains to a capital gains tax; nevertheless, some value is passed to a charitable organization, and only what is so passed is allowed as a deduction.

Considerable flexibility is permitted in the design of charitable trusts, especially in the case of CRATs and CRUTs. And the ingenuity of tax planners has found in these vehicles a range of opportunity that is paralleled in few other areas of tax law. An example would be to create a trust in which the grantor is the income beneficiary, which invests in growth stocks during the working years of the grantor, shifting to income-producing assets during the grantor's retirement years. Because such trusts can include "make-up" provisions, the income payments during retirement can be structured to provide total lifetime payments which approximate the present value of a more traditional life estate, but are timed to better meet the tax and financial planning preferences of the grantor.[27]

Charitable Lead Trusts. These trusts are another form of split-interest gift, but involve the direction of some form of income interest to the charitable organization, with the remainder interest going ultimately to a non-charitable party, most typically an heir of the grantor of the trust. The periodic distributions to the charitable organization may be fixed as to either dollar amount or as to a percentage of the assets then in the trust. While the creation of such a trust can generate a current income tax deduction equal to the actuarial value of the interest transferred to charity, trust accounting rules generally require that the income from the trust continue to be taxed to the grantor, significantly limiting the income tax advantages associated with the transfer. There are some transfer tax advantages associated with these trusts, however, inhering essentially in the fact that the valuation for transfer tax purposes of the remainder interests ultimately transferred to the heirs will be discounted to their present value as of the date of the funding of the trust, which will yield a much lower taxable transfer value than the simple transfer of the same assets at death.

C. Abuse Possibilities

At various times in the history of our income tax, it has been possible to generate enough tax savings with certain types of charitable gifts that the "gift" actually has a negative cost; that is, a taxpayer could be better off--even without accounting for the joy of giving--by giving away valuable assets than by selling them. Before 1969, for example, it was particularly advantageous for a taxpayer to give away highly appreciated assets. Such a gift would generate a current income tax deduction of the fair market value of such property, and would also avoid imposition of a tax upon the realization of the gain position of the asset. When marginal tax rates were as high as 70 percent (as they were in the mid- to late sixties, when this device was mostly employed), this would have meant that gifts of highly appreciated assets would have generated as much as $1.19 of tax savings for every dollar of value transferred.[28]

An abuse opportunity that was just closed by the Taxpayer Relief Act of 1997 involved the use of a CRUT with a very high payout rate, and a very short term. For example, a CRUT could be arranged with a principal consisting of $1,000,000 of appreciated stock, an 80 percent payout rate, a two-year term, and the grantor as the income beneficiary. In the first year, the trust would sell no stock; it would meet its 80 percent payout obligation by selling $800,000 of stock before April 15 of the following year, since a trust generally has until that time to make distributions of income or principal from the preceding year to its beneficiaries. Because the trust had no income in its first year, however, this distribution would be treated as a tax-free return of capital to the grantor/beneficiary. At some point in its second year, the trust would sell the remaining $200,000 of stock, and distribute $160,000 (80 percent) to the grantor/beneficiary, and the $40,000 remainder to charity. The trust itself would not be taxable on its sales of stock, but the character of the income generated in the second year would be passed through to the grantor/beneficiary. Thus, the $160,000 distributed would be taxable to the recipient as capital gain income. The taxpayer thus hoped to pay as little as little as $44,800 on the $160,000 taxable distribution, and also sacrificed -- albeit on a deductible basis -- the $40,000 value going to the charitable remainder. If the $1,000,000 of appreciated assets had been sold directly, rather than through the trust device, the capital gains tax would have been $280,000. Therefore, by making a charitable gift of $40,000, the taxpayer could emerge from the transaction more than $200,000 better off, compared with a straightforward sale of the stock.[29]

As noted, this device was a target of the Taxpayer Relief Act of 1997, which limits payout rates on trusts of this sort to a maximum of 50 percent of the value of the corpus. The same Act also lowers the capital gains rate to 20 percent. These changes appear to preclude the possibility that a gift of this sort could have a negative cost, though the use of a CRUT may still significantly reduce the positive cost of charitable gifts.

IV. Why Do They Give?

Economists tend to believe that in dealing with individual behavior in general the question of motivation is best left to the psychologists and theologians, and prefer to limit their attention to the effects of changes in prices and incomes on that behavior. With minor exceptions, this generalization also applies to economists' empirical work on charitable contributions. Yet the question of motivation in this context is both interesting and significant. For our purposes, the most useful research on what motivates the wealthy to give is based on interviews of donors.

Because of the difficulty in obtaining such interviews, the studies have necessarily relied on small samples, and the findings have tended to be qualitative rather than statistical in form. Using such evidence, researchers can draw conclusions with respect to the motivations of donors either from the donors' own statements -- an approach seldom favored by the skeptic -- or from inferences based on the donors' behavior.

Before noting the conclusions of scholars who have examined the question of motivation, it is useful to note three observable respects in which the charitable behavior of the affluent differs from that of other individuals. First, the wealthy tend to favor different types of tax-exempt organizations than those supported by the majority of donating individuals. As noted in section V below, the wealthy, in comparison to other taxpayers, devote a much smaller share of their contributions to religious organizations and much larger share to education, health, and arts and culture.

The second distinctive aspect of the charitable behavior of the wealthy is the considerable influence that they tend to exert in the charitable organizations to which they contribute. While it is not uncommon for donors also to be active participants in the organizations they support -- either as volunteers or as users of services -- wealthy donors are greatly over-represented on governing boards and at high-profile gatherings of supporters (Ostrower 1995, p. 30). Odendahl (1990, pp. 34, 35), noting the "self-enclosed" nature of governing boards and the high degree of crossover among board members of various organizations, declares, "Only those people who can make or raise large contributions are allowed access to policy-making positions." Moreover, the capacity to make large gifts opens the door to particular forms of philanthropy in which donor control is inherent.

A third observable aspect of the charitable behavior of the affluent is their widespread use of advisors. Attorneys and personal advisors are commonly used by wealthy donors to advise them on the tax consequences, other legal ramifications, and administrative alternatives connected with their giving. According to Ostrower (1987), attorneys are the more important class of advisors. They are employed most often in connection with the estate and gift tax and the establishment of private foundations. In practice, the effect of their advice is often to encourage wealthy donors to use community foundations or split interest trusts instead of setting up their own foundations because of the cost and complexity of the foundation form.[30]

As to the motivations that underlie these patterns of giving, any statements must necessarily be speculative. However, the literature on this subject, especially regarding giving by the affluent, does feature several themes worth noting. One is the importance of personal connections -- what Schervish and Havens (1996) call the "social networks of invitation and obligation." A recent study by Ostrower (1995) of 99 wealthy donors in the New York City area illustrates the importance of donors' personal association with the recipient organizations. She finds that personal contact -- as alumni, audience members, special guests, honorees, volunteers, or board members -- is of paramount importance for these donors. In the same way that religious congregations provide many Americans with a sense of community, she argues, the nonprofit organizations that these donors support provide the venue for much of the community of the wealthy. She writes (p. 36), "Nonprofit organizations are focal points around which upper-class life revolves. Through their philanthropy, wealthy donors come together with one another and sustain a series of organizations that contribute to the social and cultural coherence of upper-class life." Through gatherings ranging from board meetings to gala receptions, the social and economic elite sustain social networks that tend to be both exclusive and prestigious. This exclusivity appears to be especially pronounced in the case of cultural institutions, according to Ostrower, although wealth has increasingly become a substitute for social standing even in those institutions, as suggested by the decline in the percentage of the board of the Metropolitan Museum of Art listed in the Social Register.[31]

Not surprisingly, one theme that runs through some scholarly speculations about motivation is the degree to which donative behavior is self-serving. At one extreme, contributions and other involvement with nonprofit organizations may bring personal rewards, a possibility illustrated by respondents who cite the prestige associated with board membership or the social connections made possible from inclusion in gala dinners.[32] Large contributions can also bring with them considerable fanfare and publicity, although, as Ted Turner complained, often not as much public approbation as wealth itself.[33] Another kind of payoff, especially in connection with cultural organizations, is the aesthetic enjoyment of attendance at concerts or special showings of art.

Other scholars emphasize the desire of donors in their giving to repay institutions that had helped them, or to "make a difference."[34] One survey conducted in 1982 sought to address the question of motivation directly in the case of foundations. Of the 20 possible motivations for establishing a foundation listed on the form, those judged to be the strongest were personal philosophy, systematic giving, and welfare of others.[35] At its extreme, however, "making a difference" becomes a desire to exert control, and this is an objective certainly within reach of wealthy donors in certain cases. But, as Steuerle (1987) points out, giving money away deprives donors of the possibly greater control made possible by holding wealth. That the urge to retain such power is strong, he argues, can be inferred from the small size of charitable contributions in life made by the wealthy compared to their charitable bequests, despite the clear tax advantages from lifetime giving.[36]

As this brief review of the social science research makes clear, the question of motivation remains both complex and ultimately resistant to scientific proof. While it may well be the case that some donors seek recognition or even more tangible rewards from their philanthropy, it is clear that other donors want no recognition at all. The purely altruistic instinct to advance a cause or assist others must surely play a major role for many of the donors whose giving is included in the statistics presented in this chapter. Likewise, some wealthy donors appear to be motivated by a sense of obligation to share their wealth. And to these considerations must be added the role of solicitations by charitable organizations, which probably stimulate as well as inform giving, further complicating any attempt to determine motivation. Therefore, in a spirit of humility with respect to those things still unknown about the motivations behind this behavior, we press on to that which is measurable.

V. Patterns of Giving by the Rich

Charitable giving is a form of expenditure whose patterns vary dramatically by income level. In order to compare the behavior of the most affluent taxpayers to taxpayers at lower income levels, Table 1 presents information for broad income classes beginning with those earning between $25,000 and $50,000.[37] (The same information is presented graphically in Figure 2.) As the table makes evident, average giving rises with income for 1995, to the lofty average of $248,000 for the 20,352 taxpayers with incomes of $2.5 million or more, a group representing roughly 0.02 percent of all taxpayers.[38] As shown by the table's third column, almost all taxpayers at these income levels made some contribution in 1995, and an even higher share made a gift between 1991 and 1995.

Besides the magnitude of their giving, those in the top income brackets are distinctive in two ways. First, a much larger share of their contributions are not in cash. Over a third of all contributions from those with incomes over $1 million were not in cash. Presumably, the bulk of these non-cash gifts were in the form of appreciated assets, as opposed to used household items. The second distinguishing mark for this high-income group is seen in the portion of contributions that were not deductible in the filing year. More than a quarter of all reported contributions in 1995 by those in the top class exceeded the percentage limits, and were thus subject to carryover to future years. This could suggest that some gifts, perhaps including a relatively few very large gifts, were made in a lumpy form, such as interests in closely-held businesses or real estate.

Previous work on charitable contributions contains occasional references to a U-shaped curve of giving as a percent of income, implying that the proportion of income given as contributions tends to rise with income among the rich. The table's sixth column confirms this pattern, with the average propensity to give rising from 2.4 percent in the $100,000 to $200,000 class to 4.0 percent in the highest income class.[39] It is instructive to note, however, that what applies to the mean propensity is not the case for another common measure, the median. For 1995, the median propensity falls with income throughout the income range, with the majority of taxpayers with incomes over $1 million giving less than 1 percent of their income in contributions. Looking at average giving over the five-year period changes this pattern slightly, with the median percentage falling only to 1.2 percent and then rising slightly in the highest class. It is clear that taxpayers differ markedly in the percentage of income donated. As illustrated by the last column, it is the very big givers who cause the mean propensity to rise with income. When ranked by percentage of income given, those in the top 5 percent are very generous indeed, especially at the top of the income distribution. In the highest income class, those in that top 5 percent gave away at least 18 percent of their income.[40]

Besides its size and asset composition, the giving of the wealthy is also distinguished by the types of organizations supported. The little previous research on where donors direct their contributions suggests that those with high incomes give a comparatively large share of their contributions to higher education, health, and arts and culture. Whereas the bulk of individual donations go to religious congregations, federated giving campaigns, and social services, the contributions of the affluent tend to be concentrated in quite different areas: education, health, and arts and culture. A 1973 national survey based on respondents' largest gifts made in the previous year showed that, among those donors with incomes over roughly $1.6 million (in 1996 dollars), 24 percent of their largest identified gifts went to colleges and universities and 9 percent went to cultural institutions, with only 9 percent going to religious organizations and the rest going to other organizations. By contrast, the shares for higher education and culture for those with incomes between $59,300 and $89,000 were only 5 and 3 percent, respectively; for those with incomes of $30,000 to $59,300, the comparable percentages were 1 and less than one half percent.[41]

Although no recent, systematic survey data exist on the distribution of contributions by high-income individuals, a recent compilation provides a profile of the very largest individual gifts. Relying largely on newspaper accounts, a web-based publication called *Slate 60* has begun to compile lists of the largest gifts, with brief descriptions of the gifts appended. Their list for 1996 includes 73 gifts by named individuals plus another list of the largest anonymous gifts. Combining the two yields a list of 90 gifts of $5 million or more, some $1.5 billion in all. To provide an idea of how giving at these levels is directed, Table 2 summarizes these gifts by type of recipient organization. Medical research and higher education dominated this giving. Of the total, 9.3 percent went to university-affiliated medical centers and another 55.6 percent was directed to non-medical components of universities. Another 7.6 percent went to medical research institutes not affiliated with universities. Of the remaining contributions, cultural organizations garnered the largest share, at 14.1 percent, followed by private foundations, at 7.9 percent. The remaining 5.5 percent of giving by this wealthy group went to a variety of organizations, including a public library and a private school.

An issue of policy importance is the degree to which the contributions made by the wealthy actually end up benefiting the poor. Because the organizations receiving the bulk of the contributions summarized in Table 2 do not primarily benefit the poor, that table would appear to suggest that the redistributive component in this giving is slight. Assessing the distributional impact of this giving is complex, however, and could not be assessed even from a list of recipient organizations.[42]

One feature of giving by the wealthy that cannot be reflected in annual data such as those in Table 1 is its variability over time.[43] To give an idea of how widely contributions by individuals do vary from year to year, Table 3 presents data over a five-year period for a panel of taxpayers, classified by average income. In this table, variability is measured by the five-year range of giving (maximum minus minimum giving, in constant dollars) as a percentage of average giving for the period. Although each class's mean giving rises with income in much the same way it does with annual data, the table clearly shows that the variability of this giving grows with average income. While a third of those with average incomes under $100,000 had ranges that were 50 percent or less than their average giving level, only 6 percent of those in the highest bracket showed this level of consistency. Indeed, the variability at the top was such that for three fourths of those in the highest bracket the difference between their highest and lowest yearly giving exceeded their five-year average. Not surprisingly, this variability at the top appears to be associated with non-cash gifts, which may often take the form of large, indivisible lumps such as real estate parcels and blocks of non-traded stock.

Another dimension of variability is that giving tends to be concentrated among a relatively small number of donors. The last column in Table 3 illustrates this concentration, showing the percentage of total contributions by each income class made by the most generous 5 percent. Not only is giving quite concentrated, the degree of concentration rises with income. Among those with $2.5 million or more in income, fully 45 percent of all giving is accounted for by this top 5 percent of donors.

Another characteristic of giving patterns of the wealthy is the apparent sensitivity to changes in tax rates. Any time legislation causes tax rates to change from one year to the next, the change is invariably well-publicized. Even if a taxpayer's long-term level of contributions is unaffected, such a situation invites taxpayers to accelerate or delay some of their giving so that more can be deducted in the year with the higher tax rates. Over the period 1991 to 1995, contributions by the top income class ($2.5 million or more in average income) illustrated this kind of timing. The top marginal rate increased from 31 percent in 1992 to 39.6 percent in 1993, setting up the opportunity for taxpayers to save by moving contributions from 1992 into 1993.[44] Measured as a percentage of average income over the period, the average giving for this income class fell from 6.0 percent in 1991 to 4.4 percent in 1992 and then rebounded to 6.3 percent in 1993 and 1994. The giving rate increased as well from 1992 to 1993 for the next two income classes, but by much smaller amounts.[45]

Tax-sensitive timing is also evident in a special form of giving whose cost was greatly affected by changes in tax law: gifts of art work to museums. One can see in Table 4 a clear response to the changing tax environment for gifts of appreciated tangible personal property over the last decade. In FY88, the first full fiscal year during which unfavorable AMT treatment applied to such gifts, donations of art works totalled only 64 percent of the average total over the preceding three years. In FY 91 and FY 92, when the unfavorable AMT treatment was temporarily suspended, average gift levels were about 90 percent higher than the average levels over the FY 88 to FY 90 period. When the suspension lapsed in 1992 (so that unfavorable treatment was restored), donations again dried up, with FY 93 reverting to gift levels even below the FY 88 to FY 90 period. Finally, when the unfavorable AMT provisions were repealed in 1993, the donation levels rebounded, albeit less impressively than they had done in FY 91. Thus, one can track in donation levels each of the four tax changes in this area between 1986 and 1993, as unfavorable AMT treatment was imposed, suspended, reimposed, and repealed, and gift levels bounced up and down accordingly.[46]

In light of the increased share of income received by the wealthy, it is interesting to examine trends in their share of total giving. Table 5 focuses on the top one percent of households by income, where income is measured in two consistent ways: by adjusted gross income as defined in the Tax Reform Act of 1986, and by adjusted gross income as defined in the pre-1986 tax law; thus the latter definition consistently excludes 60 percent of long-term capital gains.[47] Data are presented for four years separated by the major tax acts of 1981, 1986, and 1995.[48] For the most recent year of 1994, the roughly one million households at the top, whose average income was about $500,000, received over 9 percent of aggregate income and made more than 16 percent of aggregate contributions. The share of total income accounted for by this affluent group rose over the entire period, reflecting the growing inequality in incomes that has been widely noted. Using the pre-TRA86 income definition, the share of income received by the top one percent increased from 8.2 to 12.8 percent, a percentage increase of over 50 percent. Over the same period the share of total giving accounted for by this group also rose, but only by about 18 percent. As a percentage of income, giving by this affluent group declined over the period, from 4.1 to 3.1 percent, before partially recovering to 3.5 percent. This pattern of declining giving is consistent with the existence of a negative price effect, although the magnitude of the price effect is a matter of debate, a point to which we return in section VI.[49] Since the marginal tax rate applying to top incomes declined over this period, from 70 percent to 50 percent beginning in 1981 to 28 percent beginning in 1986, the net price of giving a dollar increased markedly. The tax savings from charitable deductions for the top one percent declined from 53 percent of giving in 1979 to 35 percent of giving in 1994. As a result, net after-tax giving increased from 2.0 percent of pre-TRA86 income in 1979 to 2.3 percent of pre-TRA86 income in 1994. Thus, in a sense, the generosity of the top one percent (measured by the after-tax cost of their giving) actually increased between 1979 and 1994.

Bequest Giving

Although they amount to much less than contributions from living individuals, charitable bequests constitute an important form of giving by the wealthy. Compared to some $116 billion in total contributions from individuals in 1995, charitable bequests were estimated to be only $9.8 billion (Giving USA 1996, p. 12).[50] Yet a disproportionate share of this total came from the wealthy. In 1995, for example, $4.3 billion in charitable bequests -- almost half the total in that year -- came from 804 returns, representing 0.035 percent of all deaths that year.[51] Table 6 summarizes data from estate tax returns filed in 1995. As net worth rises, the average charitable bequest increases markedly, as does the percentage of returns with a charitable bequest and the percentage of net worth given away. The 272 decedents in the top wealth category gave away a quarter of their net worth to charitable organizations. Besides this heavy concentration of giving at the top, the table also demonstrates that, for most decedents, bequests to surviving spouses are much larger than charitable bequests, a point elaborated upon below.

Trends in bequest giving are shown in Table 7, which presents data for returns with at least $600,000 in net worth, defined in constant 1987 dollars, for selected years between 1963 and 1995. The general increase in numbers of estates exceeding the constant-dollar threshold reflects the growth and possible increased concentration of wealth at the top. The drop-off in 1995 may be the result of new estate planning devices.[52] Except for 1995, average net worth remained more or less steady over the entire period, but the average charitable bequest was more variable. A most interesting trend is the growing importance of returns, and bequests, from women. As a percentage of all returns, those filed by women held steady at 34 percent from 1963 to 1977, and then began to increase, probably owing to the introduction of the unlimited marital deduction in the Economic Recovery Tax Act of 1981.[53] As a percentage of net worth, charitable bequests made by female decedents remained higher than those for males. And, despite their smaller numbers, returns for females constituted about half of all those reporting any charitable bequests through 1977, after which they represented a generally growing majority of such returns. Most of the higher charitable propensity among women appears to be explained by widowhood rather than by any attributes associated with gender. For both men and women, those who leave behind spouses, and presumably other family obligations, tend to make much smaller charitable bequests than those who are not married at death. Male decedents who were married at death gave an average of 2.4 percent of their net worth in charitable bequests, while those who were not married gave 12.5 percent. Among female decedents, the corresponding percentages were 1.6 percent and 15.0 percent.[54] Although generosity may well differ by gender, most of the differences evident in the previous table appear to be due to differences in marital status between male and female decedents.

It is instructive to consider the distribution of bequest giving by type of recipient organization. Table 8 summarizes data collected from estate tax returns filed in 1995. This tabulation reveals a striking increase in the proportion of bequests directed toward private foundations as estate size grows. By contrast, the share of bequests directed to education, medicine, and science falls, especially in the top category, and the share going to religious organizations drops precipitously, almost disappearing in the highest net worth class. The bottom portion of the table divides returns by gender and marital status. Among the four groups, married men tended to direct their bequests in ways that differed noticeably from the other groups. Collectively, these married male decedents made a smaller share of their charitable bequests to religious and educational-medical-scientific organizations, instead channeling 60 percent of their charitable bequests into foundations.[55]

A final topic related to bequest giving is its connection to giving during life. As noted in section II above, since contributions during life reduce the size of a person's taxable estate just like charitable bequests, but offer the added advantage of income tax relief during life, lifetime giving is clearly the tax-minimizing strategy. Yet, as Steuerle (1987) has noted, many wealthy taxpayers do not follow this approach. We examined data for a sample of taxpayers who died in 1982, including information on their charitable bequests as well as their contributions in 1980 and 1981. The data indicate that giving even in these last two years of life was only a small fraction of giving at death. Among those whose net worth was $20 million or more, whose charitable bequests averaged $20.9 million, the average giving for the last two years of life was "only" $544,000, or about 2.6 percent of the eventual bequest. Among those with net worth between $10 and $20 million, average giving was 3.8 percent of the eventual charitable bequest.[56] Wealthy individuals thus appear to hold onto during life assets earmarked for charitable purposes, forgoing the tax benefits of the personal tax deduction.

VI. Evidence on the Incentive Effect of Taxes

A great deal of empirical research has examined the effect of tax deductibility on individuals' charitable giving.[57] The deduction effectively reduces the price of making donations. Although most studies published before the 1990s concluded that the elasticity of giving with respect to the tax-defined price is greater than one in absolute value, several recent studies have challenged this finding, arguing that donors' efforts to time their contributions have been misinterpreted as indicating permanent price effects.[58] Owing to fluctuations in income over time as well as to periodic changes in the tax law, the net-of-tax price faced by a taxpayer may well vary from one year to the next. In a way analogous to the approach that has been taken in some studies of income, analysts have distinguished permanent from transitory changes in price, a distinction with very important implications for tax policy. One logical possibility is that taxes have an effect on the timing of charitable gifts -- with donors bunching their giving into years when their tax rates are highest and thus when the net cost of giving is the lowest -- but not on the lifetime amount of giving. This case would be comparable to that in which a family whose lifetime purchases of light bulbs are unaffected by price but which nonetheless buys all its bulbs when they are on sale. If taxes, by way of the price effect, influence mainly the timing of gifts and not their long-run level, there would be less reason to believe that tax changes will have a significant long-term impact on giving. Compared to most previous empirical work, estimates based on this argument imply a smaller price effect and a larger income effect, with elasticities of about -0.5 and 1.1, respectively.

Such permanent effects are important for the consideration of tax policy, and this is nowhere more true than for the wealthy taxpayers who are the subject of the present volume. The less responsive the long-run donative behavior of these taxpayers is to the existence of the charitable deduction, the less in contributions that are stimulated per dollar of lost government revenue. As a simple device for assessing the magnitude of the permanent price and income effects among wealthy taxpayers, we examined the relationship between contributions and permanent income and the permanent tax-defined price, using a panel of tax returns. The panel contains returns for approximately 16,000 returns for the period 1979 to 1990, of which about

9,200 itemized in most years. We sought to measure the permanent levels of income and price before and after significant tax reforms, reasoning that such reforms would have altered individuals' subjective values of each. "Permanent" values were based on three-year averages of the three variables of greatest interest: contributions, net income, and tax-defined price. Following the approach taken in previous studies, we defined price as the weighted average of the price of giving cash and giving appreciated property, where the weights are derived from the average proportions of each in the individual's income class and a gain-to-value ratio of 50 percent for appreciated property is assumed.[59] Net income is defined as AGI minus first-dollar tax liability, where AGI is defined as constant-law post-TRA AGI. In order to eliminate the effects of individual-specific factors in giving, equations were estimated in first-difference form.

Equations were estimated for two periods spanning major tax law changes: changes between 1979-81 and 1983-85, which spans the 1981 tax reform act, and changes between 1983-85 and 1988-90, which spans the 1986 act. Only taxpayers with average AGI of $20,000 or more in 1990 dollars were included in the sample. Both equations include age dummies and marital status as explanatory variables.[60] Where $G_{t\text{-}t+2}$ is a taxpayer's average charitable giving in the years t, t+1, and t+2, P and Y are similarly-defined price and net income and M is a dummy variable indicating a married taxpayer, the estimated equations using the panel were:

$$\ln (G_{83\text{-}85}/G_{79\text{-}81}) = \underset{(7.1)}{0.44} - \underset{(10.0)}{0.52} \ln (P_{83\text{-}85}/P_{79\text{-}81}) + \underset{(24.1)}{0.43} \ln (Y_{83\text{-}85}/Y_{79\text{-}81}) - \underset{(2.4)}{0.16} \text{ Age435} +$$

$$\underset{(4.5)}{-0.29} \text{ Age445 } \underset{(4.5)}{-0.29} \text{ Age455 } \underset{(4.2)}{-0.28} \text{ Age465} + \underset{(0.7)}{0.023} \text{ M}; \quad R^2 = 0.11; N = 7{,}460.$$

$$\ln (G_{88\text{-}90}/G_{83\text{-}85}) = \underset{(6.5)}{0.58} - \underset{(12.3)}{0.95} \ln (P_{88\text{-}90}/P_{83\text{-}85}) + \underset{(23.0)}{0.41} \ln (Y_{88\text{-}90}/Y_{83\text{-}85}) - \underset{(2.4)}{0.23} \text{ Age935}$$

$$-0.30\ \text{Age945}\ -0.29\ \text{Age955}\ -0.22\ \text{Age965}\ -\ 0.009\ \text{M};\quad R^2 = 0.10;\ N = 7{,}266.$$
$$\quad(3.3)\qquad\qquad (3.0)\qquad\qquad (2.4)\qquad\qquad\quad (0.2)$$

As the coefficients of the log change in price indicate, the implied price elasticity is -0.52 in the first equation, spanning the 1981 act, and -0.95 in the second equation, spanning the 1986 act. Both point estimates are smaller in absolute value than conventional estimates of the price elasticity, and the first is similar in magnitude to that calculated by Randolph (1995). The implied income elasticities are small by almost any standard, being 0.43 and 0.41.

We present these estimates as a rough and tentative test of the important considerations raised in recent studies of charitable giving. They are based on the notion that the two prominent tax acts of the 1980s had the effect of causing taxpayers to revise their estimates of their own permanent price of giving. The estimated equations are based on the implicit assumption that nothing else changed over these two periods to affect the giving behavior of taxpayers. In fact, it is possible that the charitable inclinations of donors were aroused by the tax acts themselves and the publicity surrounding their possibly deleterious effect on contributions, causing them to give more than they otherwise might have. To the extent that such exogenous effects were uncorrelated with changes in prices, however, one would not expect this to bias the estimated price effect. These considerations notwithstanding, however, the present estimates imply that taxes do have a permanent price effect, although not as large as that implied by a number of previous studies.[61]

VII. Conclusion

The charitable giving of the wealthy is distinctive on several counts. Most obviously, on a per-capita basis, it is very large. The average taxpayer in the highest income class gives away in a year an amount greater than what 99 percent of households earn in a year, or give away in a lifetime. To be sure, the wealthy have higher incomes than most. Those at the very top give away a somewhat larger percentage of their incomes than the average household, although this percentage appears to have fallen in recent years. By virtue of their size, the gifts of the wealthy also tend to be prominent, serving as the seeds for grand buildings and new initiatives. Wealthy donors are much more likely than others to be personally involved in the governance and operation of the nonprofit organizations which they support. The types of organizations differ as well. While the mass of individuals tend to allocate most of their giving to religious organizations, the wealthy focus on colleges and universities, arts and cultural organizations, and health-related institutions. The nation's tax laws obviously affect the wealthy in a distinctive way, in that the tax rates under the progressive rate structures of the various laws higher for them than for other taxpayers. But so too does the whole landscape of laws, administrative mechanisms, and personal relationships. Most of the verbiage in the Internal Revenue Code applying to the charitable deduction is of interest only to the wealthy; seldom are the non-wealthy concerned with percentage limits on contributions, the rules applying to private foundations, or the alternative minimum tax. Nor do those of modest means concern themselves with the gift and estate tax or the various mechanisms for making charitable bequests.

It is probably safe to identify two main consequences of the current taxation of the wealthy for charitable giving. First, it appears to stimulate some charitable giving. In comparison to a situation in which contributions did not receive a deduction, in the individual income tax or the estate tax, actual current giving levels are higher. If, as our preliminary regressions suggest, the elasticities applying to permanent price are smaller than has been believed, the amount of that aggregate stimulus is correspondingly smaller than it might otherwise have been thought. But it is substantial nonetheless. To repeat a point made previously in the economics literature on this point, this is not to suggest that taxes cause people to make contributions, only that the existence of taxes and the associated deduction cause people to give more than they would have otherwise. The second consequence comes in the form of complexity. As a result of high rates of tax and serpentine provisions, the wealthy engage in much more elaborate arrangements associated with their charitable donations, at the cost of valuable human resources.

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1. After reviewing his quarterly financial statement and noting, "Hey, $1 billion is a good round figure," media magnate Ted Turner recently pledged a donation of that amount to the United Nations. John M. Goshko, "Gift Idea Just Came to Him, Turner Says," Raleigh News and Observer, September 20, 1997, p. A1.

2. There were 31,962 returns with gross estates over $1 million, or about 1.4 percent of all deaths, in 1994. These returns accounted for $8.35 billion in charitable bequests, or about 86 percent of the $9.66 billion estimated by Giving USA (p. 19). Eller (1996/97, pp. 36, 39; U.S. Bureau of the Census 1996, p.94.

3. Assigning values for volunteer work, the nonprofit sector accounted for $354 billion in 1994, compared to $5,591 billion for national income, a figure that also includes imputed value for unpaid family workers. The figure for government, which covers only direct expenditures, was $842 billion (Hodgkinson and Weitzman 1996, p. 40).

4. Owing to the thrift and exceedingly good fortune of the generation that is now at or nearing the end of their working lives, there is now the prospect of a wealth transfer of unprecedented proportions over the next few decades. According to estimates made by Avery and Rendall (1993), average annual bequests will increase from $40 billion in 1990 to over $330 billion in 2015, with total bequests between 1990 and 2040 exceeding $10 trillion. By 1997, following four years of exuberant increases in stock prices, one would expect that figure to be even higher.

(From their average values in 1993 to December 1, 1997, the Dow Jones Industrial Average more than doubled, increasing by 128 percent, and the Standard and Poor's Composite Index of 500 stocks increased 116 percent (New York Times, December 2, 1997, p. C13.; U.S. Council of Economic Advisers (1996, p. 384) What is true for the economy as a whole is likely to be true for the wealthiest households. Since large wealth transfers in the past have been the principal source of foundations and large capital gifts to nonprofits in education, health, and culture, the prospect of an approaching bulk of bequeathable wealth is surely a significant fact in considering the charitable behavior of the affluent.

5. This formula applies to cash gifts, and only for taxpayers who itemize their deductions. A more detailed model of the price of giving is described in section VI below.

6. This is essentially the rate structure that prevails for 1997, except that the indexing provisions have resulted in an upward adjustment of the two bracket boundaries to $151,750 and $271,050, respectively.

7. Several states have significantly progressive income taxes, with rates up to 12 percent. Most states allow charitable contribution deductions on terms similar to those that prevail in the federal income tax.

8. Itemized deductions, including those for charitable contributions, are subject to an overall limitation that effectively reduces total itemized deductions by the lesser of 3 percent of the excess of adjusted gross income ("AGI") over a statutory threshold ($121,200 for 1997), or 80 percent of total itemized deductions. In practice, 3 percent of the excess AGI is almost invariably the lesser amount, which means that the reduction is measured in terms of AGI rather than itemized deductions. As such, the limitation does not directly affect the price of giving except in rare cases.

9. The 30 percent limit applies to contributions of appreciated property deducted at fair market value and to contributions to private foundations. The 20 percent limit applies to gifts of qualified appreciated stock to private foundations. See discussion in section III.A. below.

10. Steuerle and Sullivan (1996, p. 772) speculate that the administrative complications of going over the limit discourages such gifts, causing donors to stay below the limit. Odendahl (1987, p. 11) found that a majority of 135 millionaires in a special survey reported that they give as much as allowed, presumably referring to the deduction limits. A recent lottery winner who wanted to give away all of her $11.8 million in New Jersey winnings was counselled to reduce her donations to about $8 million to cover income taxes on contributions over the limits (Amy Westfeldt, "Woman Gives Away $11.8 Million Lottery Prize, Says 'God Takes Care of Me,'" Bradenton Herald, November 29, 1997).

11. Figures based on tabulations of the authors using the 1995 IRS Statistics of Income Individual Income Tax Return sample.

12. The rule allowing fair market value deductions for appreciated property contributions is not indefensible. An ideal tax system would index each asset's tax basis, and would tax accrued capital gains of decedents at their deaths (if not before). The failure of our current laws to do either of these things may make the rules on appreciated property deductions an acceptable second-best choice.

13. See the explanation of private foundations in section III.A below.

14. The alternative minimum tax was preceded by an "add-on" minimum tax on tax preference items that was enacted in 1969. The structure of that tax, however, was such that it had little impact on charitable contributions.

15. For example, in 1988, the first full year of the new rules, returns showing less than $200,000 of adjusted gross income had less than one chance in a thousand of generating an AMT liability; returns showing more than $200,000 of income had one chance in 30 of showing AMT liability. And the latter figure no doubt greatly understates the effect of the AMT on high-bracket taxpayers, because the structure of the AMT invites careful planning to avoid actual AMT incidence. Thus, many, if not most, high-bracket taxpayers were (and are) likely to be close enough to AMT exposure that concerns about the AMT are never far away. (Table 3.3 of the 1988 Statistics of Income.)

16. This simple statement masks a wide range of complications and refinements. Among the most important are that gifts must be of a "present interest" (not in trust, nor otherwise encumbered), and that the exclusions available to a married couple are $20,000 per donee, regardless of which partner makes the gifts.

17. The tax-free transfer amount noted will be increased in several steps, beginning in 1998 and reaching $1,000,000 when the increase is fully phased-in by 2006, pursuant to the Taxpayer Relief Act of 1997.

18. The rate structure purportedly begins with a 18 percent rate; however, the unified credit effectively consumes the rates between 18 and 34 percent, inclusive, so that the true rate structure begins with a 37 percent bracket. In the interval between $10,000,000 and $21,040,000, a surcharge of 5 percent of the taxable transfers in that interval is assessed, creating a 60 percent "bubble" over that range, after which the rate returns to 55 percent.

19. Note that, unlike the case as to income tax deductions, there is no particular advantage associated with transferring appreciated property to charity for transfer tax purposes. The full fair

market value of such property would be included in the gross transfers, and subtracted at the same value to determine taxable transfers.

20. These data are for 1994, from the 1996 Statistical Abstract, Table 129, p. 94 and the SOI Bulletin, 16(No. 3, 1996-97), Table 1c, pp. 36-41, respectively.

21. Of course, some wealthy taxpayers are able -- at some cost -- to arrange their affairs so as to avoid transfer taxes altogether. See Poterba (this volume).

22. The figures in this paragraph are based on calculations for estate tax returns filed in 1995, as shown in Table 6.

23. Herbert Chao Gunther, president of a nonprofit communications agency, was recently quoted as saying: "For rich people who've made a killing in the stock market lately, the ultimate status symbol is creating a foundation with your name on it." (From "A Tax Break Prompts Millionaires' Mad Dash to Create Foundations," Wall Street Journal, 1/27/97, p. 1.)

24. "Private Foundations and Charitable Trusts," SOI Bulletin 16 (No. 3, 1996-97), p. 118. (Data are from Table 1, cols. 1, 17, and 38.)

25. For example, the annual report of the Chicago Community Trust, one of the older and larger community foundations, describes its donor-advised funds as affording "the opportunity to . . . remain actively engaged in the grant-making process through periodic recommendations to the Trust's Executive Committee regarding the use of fund income, and limited amounts of principal." In 1996, over 63 percent of the Trust's funds consisted of donor-advised funds. (Pages 23 and 11, respectively, of the 1996 annual report.) There are costs associated with the administration of such funds, however, in the form of gathering information for donors about giving options as well as time taken with donors to explain those options.

26. It is of course actuarially possible that the remainder interest of such a trust could be less than ten percent of the value of the corpus, especially if the life interest is spread among two or more people. Under limitations enacted in the Taxpayer Relief Act of 1997, however, an interest having an actuarial value of at least ten percent of the current value of the assets placed in trust must pass to the charitable entity in order for the gift to generate a charitable deduction.

27. However, the IRS is studying this and similar devices that allow the donor to control the timing of the trust distributions, and has recently announced that it will not issue private letter rulings on the tax treatment of any such charitable remainder trusts. See Revenue Procedure 97-23, 1997 Internal Revenue Bulletin, No. 17, April 28, 1997, p. 7.

28. The $1.19 is simply the sum of the maximum capital gains tax avoided (49.125 percent) plus the value of the current income tax deduction available to offset other income, a calculation that assumes the alternative to giving away the asset is to sell it immediately. Although the top marginal tax rate continued to be 70 percent until 1981, the Tax Reform Act of 1970 denied deductions after 1969 of the full market value of assets that would not have generated long-term capital gain if sold. In some circumstances, however, even gifts of long-term capital gain property could have a tax cost that was slightly negative, until the capital gains rate was lowered to 28 percent by the Revenue Act of 1978.

29. The facts of this example are taken from Notice 94-78, 1994-2 CB 555, in which the IRS announced its intention to attack CRUTs of this type. This particular avoidance stratagem has in common with the best of that breed an aesthetic elegance that makes it difficult for the IRS to provide any definitive statement of why the device doesn't work to produce the results intended by the taxpayer. The IRS offers four different lines of attack, none of which is particularly

convincing; nevertheless, the abuse is patent enough that one or more of the arguments might well be accepted by a court sympathetic to the IRS position. The results of the IRS attack, if any, have not yet shown up in any reported cases.

30.See, especially, Ostrower (1987, pp. 251-252).

31.Ostrower (1995, p. 47) reports that the percentage of the board of the Metropolitan Museum listed in the Social Register declined from 67 percent in 1972 to 44 percent in 1982 to 33 percent in 1992. An alternative explanation, of course, is that wealth has always been the variable determining influence in these institutions, but that it has simply become less correlated with social standing over time.

32.See, for example, Ostrower (1995, pp. 36, 93-95).

33.Noting that the prominence of the Forbes Four Hundred list of the wealthiest Americans, and the fear of falling off of it, constitutes a deterrent to giving by the very wealthiest, Ted Turner suggested that there be a list of the most generous Americans. (Maureen Dowd, "Ted's Excellent Idea," New York Times, August 22, 1996, p. 25A.) In apparent response to this idea, one organization has begun compiling and publicizing lists of the top charitable gifts. See Slate 60 website www.slate.com/slate60/96-12-02/Slate60. Turner reiterated his views in announcing the $1 billion pledge to the United Nations, suggesting an "Ebenezer Scrooge Prize" for the least generous among the country's wealthiest. Sallie Hofmeister, "Ted Turner Increases Philanthropy Stakes," News and Observer, September 20, 1997, p. 16A.

34.See, for example, Schervish (forthcoming).

35. The 435 respondents rated each motivation from "strong" (5 points) to "none" (1 point). Of 20 possible motivations listed on the survey form, those judged to be strongest, in order of

importance, were personal philosophy, systematic giving, welfare of others, social responsibility, flexibility of foundation, and tax incentives, with mean scores ranging from 3.83 to 3.12. Those motivations reported to be weakest, in order of increasing importance, were "control business assets" (1.14), political beliefs, social pressures, and memorial to self (1.78) (Boris 1987 p. 78).

36. We offer more recent evidence on this point in section IV in our discussion of bequest giving.

37. Data are not presented for itemizers with incomes below $25,000 because itemization is much less prevalent at lower incomes and those who do itemize at lower incomes include a disproportionate share of taxpayers whose adjusted gross income understates their capacity to make contributions. There were 4.6 million itemizers with incomes below $25,000, representing about 7 percent of all taxpayers in that income class in 1995. Itemizers at these lower incomes tend to be older and wealthier than others in the class, and more likely to have income that is not subject to tax.

38. There were 118.8 million tax returns in 1995 (U.S. Internal Revenue Service 1997, p. 137).

39. One explanation that has been given for the lower the proportion of income given at middle income levels is the possibility that in the lowest income brackets annual income tends to understate economic income.

40. Taxpayers who give a very high proportion of their current income to charity may be unusual in either or both of two ways. It may be that their charitable giving is high relative to their economic circumstances and the habits of their peers; these would be taxpayers of extraordinary generosity. Alternatively, it may be that their current AGI is low relative to their wealth or permanent income, and thus may understate their ability to give.

41. Calculated from Clotfelter (1997, Table 5) and GDP price deflator for 1994, 105.0 (Council

of Economic Advisers (1996, p. 284). Also see (Morgan et al. 1977, p. 208).

42. The problem is illustrated by the fact that most higher education aid is directed at the disadvantaged, as are some arts programs and those medical research programs on diseases disproportionately affecting the poor. For a fuller discussion of the distributional effects of nonprofit activities, see Clotfelter (1992).

43. For an earlier study, see Auten and Rudney (1990).

44. The 1993 rate changes were not signed into law until August 10, 1993. However, the 1992 elections, which resulted in Democratic Party victories in races for the White House and a majority of the seats in both houses of Congress had led many to predict that tax rates in 1993, especially at the top end, would not be lower, and might well be higher, than they had been in 1992.

45. For the $1 - 2.5 million class, the rate rose from 3.3 to 3.8 percent; for the $500,000 - $1 million class, it rose from 3.1 to 3.5 percent.

46. While data such as these provide strong evidence of tax-induced timing of charitable giving, they are not conclusive on the question of whether taxes have a permanent price effect on giving.

47. A number of adjustments were made to the income measure to account for statutory changes. The most important change was to put capital gains on a consistent pre-TRA86 or post TRA86 basis. While before TRA 86 only 40 percent of long-terms gains were included in AGI, all long-term gains were included after TRA86. The post-TRA86 definition is a more complete measure of realized income. Because of the transitory nature of much capital gain income, the pre-TRA86 measure may more accurately reflect permanent income.

48. For each indicated year, the sample includes late returns filed in the following year and

excludes late returns filed for the prior year.

49. This pattern would also be consistent with a lower propensity to give out of recent increases in income (or transitory income). For discussions of both price and income effects, see, for example, Auten, Cilke and Randolph (1992) and Randolph (1995).

50. Gift and estate tax returns filed in 1995, applying only to decedents with estates over $600,000, showed a total of $8.0 billion (Eller 1996/97).

51. In 1994 there were 2,286,000 deaths from all causes (US Statistical Abstract 1996, table 129, p.94). As shown in Table 5, there were 804 returns which showed net worth of $10,000,000 or more.

52. The drop-off after 1990 may be the result of declining real estate prices in the early 1990s or new estate planning devices. These devices include the family limited partnership, whereby family members form a partnership by which wealth can be distributed over time, and the principal residence trust.

53. Rosenfeld (1995) makes this point.

54. Calculations based on unpublished estate tax returns filed in 1995.

55. Eller's (1996/97) analysis of returns for 1992 decedents also showed men in general giving bigger shares to foundations and smaller ones to religious organizations. Unmarried decedents gave a larger percentage than did married ones to educational, medical, and scientific organizations.

With respect to the share of gifts made to foundations, it is worth noting that, because foundations are essentially intermediaries, which themselves make grants to nonprofit organizations, any analysis of shares of giving by type of organization will tend to understate the shares eventually going to organizations that will receive those grants by foundations.

56. Calculations based on the 1982 IRS Statistics of Income Estate Tax Collation Study. It should be noted that one obstacle to taking fuller advantage of the favorable effects of contributions during life is the percentage limitations on charitable deductions noted in section II.A. above. For example, someone who has wealth of $20,000,000, and plans to give away all or most of it at death, may only have income in each of the years immediately preceding death of $1,000,000 or less, if that wealth is invested in stocks with low dividend pay-outs, or in conservative, money-market investments. This will limit such a taxpayer to deduction of no more than $500,000 of charitable contributions. These limits do not appear to be binding for most decedents in the sample, however.

57. For a brief review of this literature, see Clotfelter (1997).

58. Randolph (1995), for example, argues that most statistical studies of giving, by using annual data on income and prices, incorrectly ascribe permanent significance to variations in prices that are in fact heavily influenced by transitory fluctuations in income. He argues that, although people appear to smooth their giving in response to transitory variations in income, the effect on price is just the opposite: they tend to bunch their gifts into years when transitory income is the highest to take advantage of the unusually high tax rate in those years. He also presents statistical estimates consistent with this argument, although the difficulty in finding appropriate instruments in the instrumental variables estimation argues for caution in placing undue reliance on any one set of statistical findings.

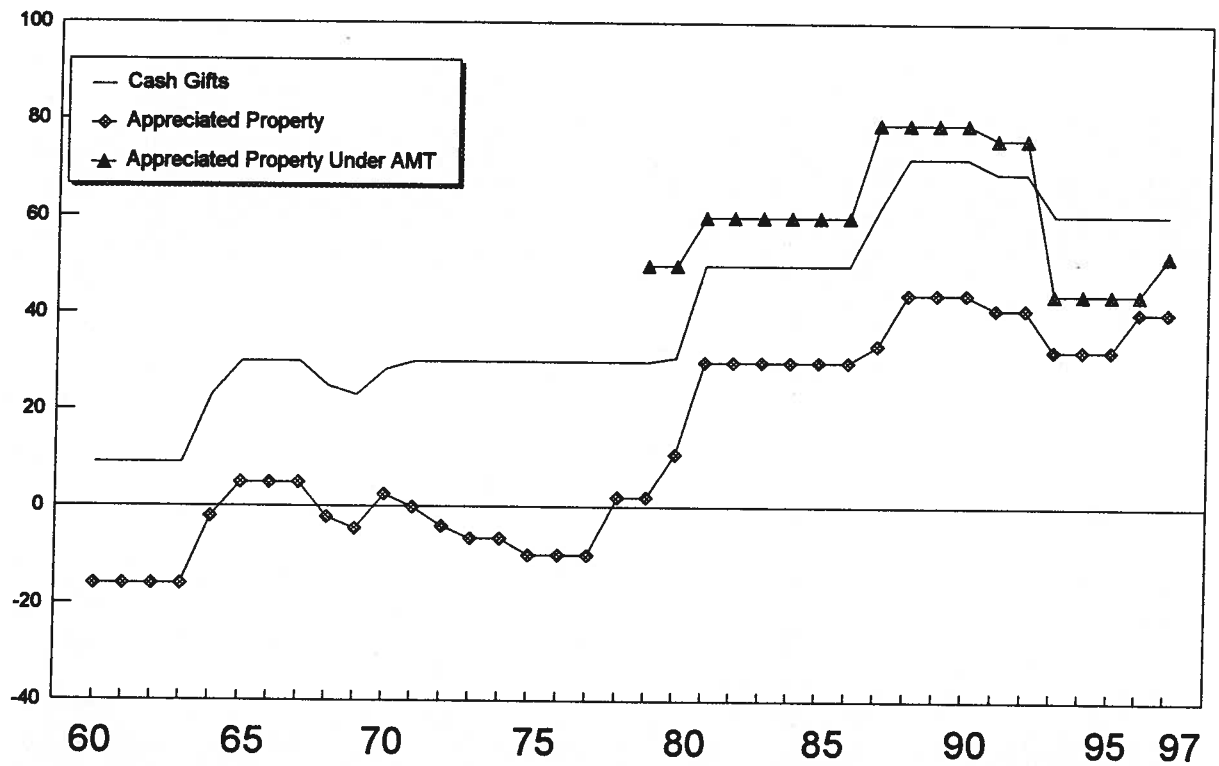
59. Where m is the individual's marginal tax rate on ordinary income, gm is the rate on capital gains income, and c is the proportion of the income class's contributions in the form of cash, the

weighted average price is P = c(1-m) + (1-c)(1-m-0.5 gm). For taxpayers subject to the alternative minimum tax, in years in which contributions were treated as a preference item, thus eliminating the advantage of the non-taxation of capital gains, the price is simply P = 1-m*, where m* is the applicable marginal tax rate.

60. Age445 corresponds to the 35-44 age group in 1984, Age445 to the 45-59 group, Age465 to the 65 and older group, and Age945 corresponds to the 35-44 age group in 1984, and so on.

61.Conference participants suggested several additional regression equations. To illustrate that our data provides similar cross-section results to previous studies, a cross-section regression for 1981 yields a price elasticity of -1.04 and an income elasticity of 0.76. Estimating the equations in the text using an instrumental variables procedure yielded similar price elasticities but smaller income elasticities. Adding the log of initial period income to the change regressions reported in the text as a control variable increases the estimated price elasticities (from -.52 to -.61 in the first equation and from -0.95 to -1.18 in the second equation) but has little effect on the estimated income elasticities. Another suggestion was to isolate the income elasticity of giving by using a sample limited to those in the top tax rate bracket. A regression of the log of average giving for 1983-85 on the log of average income and dummy variables for the age class and marital status yields an income elasticity of 0.94, considerably larger than in the change equations.

FIGURE 1
The Price of Giving Cash and Appreciated Property 1960 - 1997

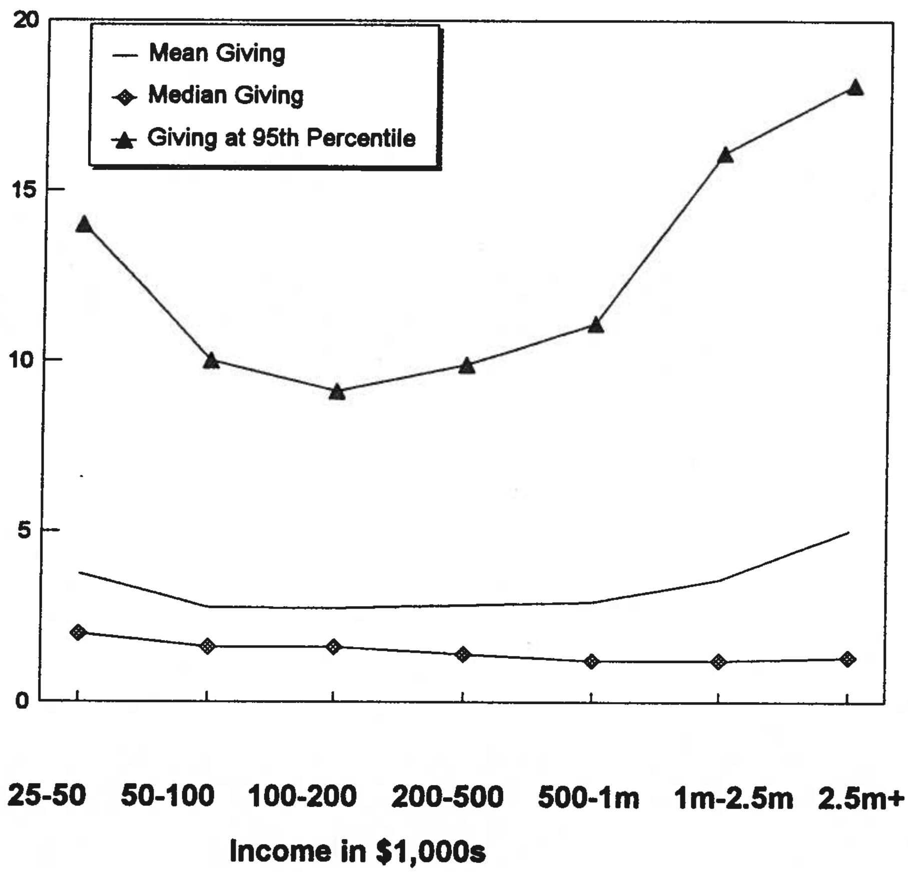


Notes: The price of giving cash equals 100 minus the tax rate in the top tax bracket. The price of giving appreciated property equals the price of giving cash less the capital gains tax rate. Gifts of appreciated property are assumed to be gifts of stock with 100% appreciation that would otherwise be sold in that year.

FIGURE 2

Mean, Median & 95th Percentile Giving as a % of Income

1991 - 1995



Source: Table 1

Table 1
Charitable Contributions by Itemizers by Income Class

1995 Data

Adjusted Gross Income Class ($1,000s)	Number of Returns	Average Giving	Percent of Returns with Contributions	Non-cash Percent of Giving	Percent of Giving Over Limits	Giving as a Percent of Income: Weighted Average	Median	95th Percentile
25 - 50	10,480,338	1,230	87.0	13.3	2.0	3.2	1.5	12.4
50 - 100	14,197,579	1,823	93.5	14.7	2.2	2.6	1.4	10.0
100 - 200	3,868,976	3,140	95.3	16.7	1.2	2.4	1.3	8.5
200 - 500	956,204	7,442	96.2	19.5	8.2	2.6	1.2	9.0
500 - 1,000	165,789	18,297	97.2	26.2	7.4	2.7	1.0	9.7
1,000 - 2,500	60,024	46,418	97.6	34.3	15.5	3.2	0.8	14.0
2,500 and over	20,352	248,069	97.8	43.9	27.6	4.0	0.7	20.9
All Itemizers	34,235,743	2,155	89.3	14.6	6.3	2.9	1.5	12.5

1991-1995 Panel

Adjusted Gross Income Class ($1,000s)	Number of Returns	Average Giving	Percent of Returns with Contributions	Non-cash Percent of Giving	Percent of Giving Over Limits	Giving as a Percent of Income: Weighted Average	Median	95th Percentile
25 - 50	5,642,697	1,477	96.9	12.7	1.8	3.2	2.0	14.0
50 - 100	10,813,584	1,928	98.4	13.3	1.0	2.6	1.6	10.0
100 - 200	3,063,305	3,624	99.3	17.2	3.8	2.4	1.6	9.1
200 - 500	746,781	8,225	99.6	21.2	8.3	2.6	1.4	9.9
500 - 1,000	132,239	19,533	99.8	23.5	12.7	2.7	1.2	11.1
1,000 - 2,500	47,309	53,487	99.9	34.5	25.5	3.2	1.2	16.1
2,500 and over	14,040	288,791	99.8	47.5	34.0	4.0	1.3	18.1
All Itemizers	21,610,373	2,633	97.9	18.6	6.7	3.5	1.7	11.8

Source: Tabulations by the authors of IRS Statistics of Income Individual Income Tax Returns samples.
Notes: The 1995 data are from the 1995 Statistics of Income sample, including some prior year returns filed during the 1995 filing season. The 1991-1995 panel includes tax returns of taxpayers who itemized deductions in all five years.

Table 2

The 90 Individual Gifts of $5 Million or More in 1996, by Type of Recipient Organization

Recipient Organizations	Amount (in $ millions)	Percent of Total
Free-standing medical research institutions (1)	115	7.6
University-affiliated medical centers	140	9.3
Other health	0	0.0
Other higher education	837	55.6
Culture	212	14.1
Private foundations	119	7.9
Other	83	5.5
Total (2)	1,505	100.0

Source: "The 1996 Slate 60," June 23, 1997, "The Top Anonymous Gifts of 1996," May 29, 1997; website www.slate.com/Slate 60.

Note: Figures cover the top 73 gifts from named donors plus 17 anonymous gifts that would have been on the list by virtue of their size (all $5 million or more). The list was compiled from newspaper accounts and other sources. Figures for gifts include pledges.

(1) Includes the largest single gift of $100 million, to the Scripps Research Institute, which, although it grants a PhD. degree, is classified as an independent research institute.

(2) Due to rounding, the total is not the sum of components.

Table 3

Variability of Giving Over Time: Five-Year Range of Contributions as a Percentage of Average Contributions, 1991-1995

Average Adjusted Gross Income Class ($1,000s)	Number of Returns	------- Range of Giving as Percent of Mean Giving ------- < 25%	25-50%	50-100%	100-200%	200%+	Total	Percentage of giving by top 5%
25 - 50	5,642,697	15	18	26	28	14	100	24
50 - 100	10,813,584	14	19	30	27	10	100	25
100 - 200	3,063,305	11	21	34	24	10	100	28
200 - 500	746,781	7	17	35	29	13	100	35
500 - 1,000	132,239	5	14	30	35	15	100	38
1,000 - 2,500	47,309	3	12	24	35	26	100	42
2,500 and over	14,040	1	5	18	36	39	100	45

Source: Calculations based on a panel of 1991-1995 individual income tax returns. See Table 1.

Note: Income is constant law AGI as defined in Table 1.

Table 5
Giving by Wealthy Individuals, 1979-1994
(Dollar figures in $millions)

	1979	1984	1991	1994
Total giving (1)	36,590	56,460	96,100	104,530
Personal income (2)	2,049,700	3,205,500	4,968,500	5,753,100
Total income	1,531,234	2,301,147	3,433,753	3,886,074
Total pre-TRA86 income	1,489,713	2,220,174	3,376,509	3,802,887
Top 1% of Tax Returns by Income (3)				
Number of returns	872,011	950,556	1,033,202	1,063,600
Income	143,712	258,091	437,722	530,634
Charitable deductions	4,848	8,535	13,054	17,332
Total giving	5,126	7,982	13,573	17,318
Cash	3,210	5,385	9,828	10,854
Non-cash	1,915	2,595	3,745	6,464
Carryover	760	3,788	1,691	3,381
Nondeductible	1,038	3,234	2,210	3,379
Percent non-cash giving	37.37	32.51	27.59	37.32
Generosity	3.57	3.09	3.10	3.26
Top 1%'s share of total income	9.39	11.22	12.75	13.65
Top 1%'s share of total giving	14.01	14.14	14.12	16.57
Top 1% of Tax Returns by Pre-TRA86 Income (4)				
Number of returns	871,983	950,518	1,033,168	1,063,386
Income	122,802	210,435	410,159	486,610
Charitable deductions	4,830	8,506	12,971	17,134
Total giving	5,075	7,907	13,442	17,100
Cash	3,202	5,382	9,762	10,796
Non--cash	1,873	2,524	3,680	6,304
Carryover	714	3,758	1,701	3,334
Nondeductible	959	3,158	2,173	3,302
Percent non-cash giving	36.91	31.92	27.38	36.87
Generosity	4.13	3.76	3.28	3.51
Top 1%'s share of total income	8.24	9.48	12.15	12.80
Top 1%'s share of total giving	13.87	14.01	13.99	16.36

Source: Unpublished data on individual income tax returns, Internal Revenue Service, Statistics of Income.

(1) Giving USA.
(2) Economic Report of the President, 1996, p 305.
(3) Income is a constant law definition of AGI based on TRA86, which includes all long-term capital
gains, plus deductions for iRA's, SECA taxes, health insurance, and moving expenses.
(4) Pre-TRA86 income is a constant law definition of AGI based on pre-TRA86 law, which excludes 60 percent of long-term gains.
Note: Includes late returns filed in the following year and excludes prior year returns.

Table 6

Charitable Bequests by Size of Estate, Marital Status and Sex, 1995

Net Worth Class ($ millions)	Number of Returns	Average Values: Net Worth	Average Values: Bequests to Surviving Spouse	Average Values: Charitable Bequests	Percent of Returns with Charitable Bequests
Under 1.0	38,932	711,744	147,417	25,614	15.4
1.0 - 2.5	23,412	1,462,154	443,121	79,374	21.3
2.5 - 5.0	5,002	3,380,631	1,236,448	189,750	27.0
5.0 - 10.0	1,615	6,877,376	2,608,807	636,404	33.3
10.0 - 20.0	532	13,836,035	5,704,739	1,337,704	37.0
20.0 or more	272	52,895,254	21,681,227	13,291,015	50.4
All Returns	69,766	1,685,930	508,128	131,347	19.0
Marital Status and Sex					
Married Men	24,475	1,802,775	1,198,999	42,595	8.9
Other Men	13,579	1,467,283	NA	183,067	27.1
Married Women	7,912	1,446,869	770,770	23,914	7.6
Other Women	23,800	1,522,181	NA	228,823	28.4

Source: Tabulations by the authors of IRS Statistics of Income Estate Tax Returns, 1995.

Table 7
Net Worth and Charitable Bequests, Selected Years, 1963-1995
(Constant 1987 Dollars)

All Returns

Year	Number of returns with $600,000+ Net Worth	Total Charitable Bequests ($1,000s)	Percent of Returns with Bequests	Average Net Worth	Average Charitable Bequests	Charitable Bequests as Percent of Net Worth
1963	28,446	3,186,130	22	1,641,897	112,006	6.8
1966	32,996	4,147,296	22	1,691,671	125,691	7.4
1970	36,343	6,386,560	21	1,648,633	175,730	10.7
1973	37,886	4,725,977	21	1,578,216	124,808	7.9
1977	32,994	5,263,495	22	1,480,770	159,529	10.8
1983	28,452	2,702,260	18	1,455,546	94,976	6.5
1987	42,274	4,394,526	20	1,626,961	103,953	6.4
1990	49,850	5,518,339	19	1,635,517	110,699	6.8
1995	45,549	8,697,996	21	2,113,989	190,959	9.0

Returns Filed by Women

Year	As Percent of All Returns	As Percent of Returns with Charitable Bequests	Percent of Returns with Bequests	Average Net Worth	Average Charitable Bequests	Charitable Bequests as Percent of Net Worth
1963	34.0	48.7	31	1,789,681	191,440	10.7
1966	34.4	50.1	32	1,810,345	190,156	10.5
1970	34.1	48.2	30	1,810,729	316,519	17.5
1973	34.4	50.7	30	1,676,732	191,408	11.4
1977	34.4	49.7	31	1,648,200	142,662	8.7
1983	35.8	54.3	27	1,395,374	137,870	9.9
1987	42.9	55.6	26	1,479,392	118,543	8.0
1990	45.0	60.6	26	1,500,392	131,538	8.8
1995	43.9	53.7	25	1,988,205	268,490	13.5

Notes: Data include all estate tax returns filed in indicated years with gross estates of $600,000 or more in 1987 dollars. All dollar figures are expressed in constant 1987 dollars.
Source: Rosenfeld (1995) and unpublished IRS Statistics of Income estate tax data for 1995.

Table 8

Type of Donee of Charitable Bequests by Size of Estate, Marital Status and Sex, 1995

Net Worth Class ($ millions)	Number of Returns	Percent Distribution of Charitable Bequests						
		Arts and Humanities	Medical and Science	Social Welfare	Private Foundations	Religious	Other	Total
Under 1.0	38,932	3.4	39.0	1.2	2.5	26.9	26.9	100.0
1.0 - 2.5	23,412	2.4	47.9	2.4	3.3	20.6	23.3	100.0
2.5 - 5.0	5,002	3.1	36.0	3.8	13.7	13.2	30.3	100.0
5.0 - 10.0	1,615	4.0	37.7	0.9	18.4	6.3	32.7	100.0
10.0 - 20.0	532	7.1	26.4	1.9	35.1	5.8	23.7	100.0
20.0 or more	272	2.0	9.8	0.2	73.9	1.0	13.0	100.0
All Returns	69,766	3.0	27.8	1.4	36.4	10.0	21.4	100.0
Marital Status and Sex								
Married Men	24,475	2.4	17.1	0.6	60.3	4.4	15.2	100.0
Other Men	13,579	3.2	34.7	1.9	23.4	10.7	26.2	100.0
Married Women	7,912	1.0	24.2	0.5	27.6	9.5	37.2	100.0
Other Women	23,800	3.0	26.9	1.3	38.0	10.9	19.9	100.0

Source: Tabulations by the authors of IRS Statistics of Income Estate Tax Returns, 1995.