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Appendix D

Description of National Study of Philanthropy and Related Transformations

The National Study of Philanthropy, conducted by the Survey Research Center at the University of Michigan, is described in detail in Morgan, Dye, and Hybels (1977). This appendix describes special computations used to calculate tax variables for the households in the file and presents mean values for variables used in equations in the text.

For the present study, it was necessary to calculate both the tax liabilities of households and their marginal tax rates. Because the survey did not include questions about all of the variables related to taxable income and tax liability, it was necessary to approximate some of them. Income in the survey is classified into fourteen intervals. (See Morgan, Dye, and Hybels 1977, p. 28). To convert these intervals to a continuous variable, households were assigned the mean adjusted gross income (AGI) for each income interval, as reported in the *Statistics of Income—1973, Individual Income Tax Returns* (U.S. Internal Revenue Service 1976, p. 7). These means are given in the third column of table A.2 for each income interval.

In order to calculate taxable income, it was necessary to estimate deductions for the itemizing taxpayers. The deduction for mortgage interest was calculated as a proportion of the household's mortgage as reported in the survey. A 5 percent interest-to-mortgage ratio was used, following experiments with several proportions and comparing the estimates to averages published in the *Statistics of Income*. Based on similar experiments, the

Table A.2 Income Intervals for National Study of Philanthropy Sample

Income Class	Interval	Average AGI	Deductions Ratio
1	Under \$1000	552	1.20
2	\$1000-1999	1,489	1.02
3	\$2000-3999	2,969	.427
4	\$4000-7999	5,905	.334
5	\$8000-9999	8,974	.168
6	\$10,000-14,999	12,365	.134
7	\$15,000-19,999	17,191	.114
8	\$20,000-29,999	23,685	.101
9	\$30,000-49,999	36,174	.103
10	\$50,000-99,999	66,004	.110
11	\$100,000-199,999	130,363	.116
12	\$200,000-499,999	280,255	.148
13	\$500,000-999,999	668,114	.145
14	\$1,000,000 or more	2,004,582	.146

average property tax rate applied to reported house value was 1.3 percent (0.013). All other itemized deductions other than contributions were estimated as a proportion of AGI, where the proportion varied for each class. This set of proportions, calculated from figures for itemizers in the *Statistics of Income* (U.S. Internal Revenue Service 1976, p. 50) is given in the last column of table A.2. Exemptions were calculated from data on the number of adult taxpayers and dependents and on the age of husband and wife.

Taxable income (calculated without reference to contributions) was AGI minus exemptions and itemized deductions for those who itemized and AGI minus exemptions and the standard deduction for nonitemizers. Households were classified as single, joint, and head-of-household returns. By applying the appropriate 1973 tax table to taxable income, tax liability and marginal tax rate could be calculated. Price is normally one minus the marginal tax rate for itemizers and one for nonitemizers, but this was modified (as described in the text) for taxpayers for whom charitable contributions constituted the difference between itemizing and not itemizing.

Table A.3 lists the principal variables from the Michigan survey sample used in the present study.

Table A.3 Selected Unweighted Sample Means

	All Households with Women	Households with Wives Not Employed
TOTAL	2323	1122
<i>Continuous variables</i>		
Net income	34,142	49,847
Price	0.755	0.681
Age (women)	37.7	48.3
Hours of market work	12.3	0.0
Hours of volunteer work (women)	71.3	103.4
Number of children under 18	1.02	1.14
<i>Dichotomous variables</i>		
Any children under 5	0.158	0.175
High school graduate only (women)	0.437	0.602
College graduate (women)	0.390	0.235
Head's parents contributed	0.777	0.775
New in neighborhood	0.148	0.111