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1 Tax Policy and Support for the Nonprofit Sector: An Overview

The nonprofit sector—as distinct from government and the for-profit sector—plays a more important role in the United States than in any other industrialized economy. Encompassing such institutions as colleges and universities, not-for-profit hospitals and research institutions, churches and other religious organizations, museums and cultural institutions, and charitable organizations of many varieties, this sector historically has performed many functions that in other countries are the primary responsibility of government. It employs over 10 percent of the labor force and over twice the number of federal-government employees (Weisbrod 1980, p. 26). At the same time, the United States is distinctive in the degree to which it subsidizes the nonprofit sector through its tax system. Its provisions for the deductibility of charitable gifts in addition to the tax exemptions accorded to nonprofit institutions are unparalleled in scope. Although the interrelationships that have evolved between government, nonprofit institutions, and the legal structure are the result of hundreds of years of complex social development, it seems by no means accidental that this special reliance on nonprofit institutions and these favorable tax provisions have developed side by side.

In recent years, however, there has been evidence of increasing concern about the vitality of the nonprofit sector and the adequacy of federal tax provisions affecting charitable giving. One source of concern has been the standard deduction, introduced as a simplification into the income tax system over forty years ago, but blamed for reducing incentive to make contributions. Public commissions in the 1960s and 1970s investigated the role of tax policy in philanthropic giving and made their recommendations to Congress. One of those—the Commission on Private Philanthropy and Public Needs, known as the Filer Commission—began its report by recommending several basic changes in the tax treatment of contribu-

tions (Commission on Private Philanthropy and Public Needs 1977, pp. 3–21). For its part, Congress has responded with changes in tax provisions affecting charity, most recently passing a law that would extend the charitable deduction to nonitemizers by 1986. Even so, there is widespread concern about the adequacy of support for the nonprofit sector. Proposals to eliminate the corporation income tax or to replace the income tax with a “flat-rate” comprehensive tax would have implications for charitable giving. In addition, cuts in federal spending for social programs under President Reagan reduced an important revenue source for nonprofit organizations at the same time it increased the demand for many of their services. Rising labor costs and other developments within the nonprofit sector combined with slow growth in private support have caused one commentator to conclude that the sector as a whole “is in serious and growing difficulty” (Nielson 1979, p. 3). Needless to say, such concerns have heightened interest in the role of the tax system in influencing the level and distribution of private support for charitable and other nonprofit organizations.

The purpose of the present study is to examine one important aspect of the relationship between the tax structure and the nonprofit sector: how federal taxes affect charitable giving. Specifically, it examines the effect of tax provisions on contributions by individuals, corporations, and estates, on grants by foundations, and on volunteer work. The focus is on the connection between policy variables and behavior as observed in econometric analysis and other empirical study. To give the reader perspective for this investigation, it is useful to begin by providing, first, an overview of the nonprofit sector and the role of charitable giving in it and, second, a brief description of the major federal tax provisions affecting charity. The chapter concludes with an outline of the remaining chapters.

1.1 Charitable Giving and the Nonprofit Sector

Before focusing on charitable organizations and contributions made to them, it is useful to have a general sense of the size and function of the nonprofit sector as a whole. Table 1.1 presents data for major categories within the nonprofit sector based on returns for tax-exempt organizations in 1975. The organizations are divided according to whether contributions made to them are generally deductible in calculating federal income taxes. Of the 220,000 nonprofit organizations filing returns in 1975, the largest single group was in fact charitable organizations. Often referred to by the Internal Revenue Code section applying to them, such “501(c)3 organizations” include religious, educational, cultural, scientific, and social-welfare organizations. This category represented over a third of all nonprofit organizations, based on number of returns, and over a half of total receipts of the sector, although these figures are probably underestimates

since some religious groups do not submit returns. Charitable organizations represented an even larger share of contributions received—some 83 percent based only on 1975 returns and almost 90 percent counting all organizations.¹ The most important other category, based on receipts, was civic clubs such as Lions and Rotary. Other significant categories included voluntary employee beneficiary associations, labor and agricultural groups, business groups, and life insurance associations. As numerous as these other nonprofit organizations were, however, table 1.1 makes clear that charitable organizations account for a sizable portion of the entire nonprofit sector.

Measured in terms of dollars contributed, charitable giving in 1982 amounted to about \$60 billion. Table 1.2 provides estimates of giving from four sources for selected years between 1955 and 1982. The estimates are published in the annual volume *Giving U.S.A.*, a widely cited source of data on charitable contributions. Worth noting, however, is that the estimation procedures underlying these figures are not described in print and should be taken as rough approximations only. For 1982, contributions by living individuals accounted for about four-fifths of the total, some \$49 billion. The remaining one-fifth was shared by bequests from estates (about \$5 billion), corporations (\$3 billion), and foundations (\$3 billion). These numbers involve some double counting since foundations act as intermediaries, as is discussed below, but these figures serve to give a general idea of relative magnitudes. Over the period 1955 to 1982, the real level of total giving has almost tripled, from \$11 to \$29 billion in 1972 dollars. This growth has also tended to exceed that of national income; total giving rose from 2.0 percent of national income in 1955 to 2.5 percent in 1982. Over this period, individual donations have averaged about 80 percent of the total. Contributions by corporations have declined slightly in importance, and foundation grants have dropped significantly. Bequests have fluctuated over time, being particularly sensitive to large gifts.

Two forms of charitable giving are not shown in table 1.2. The most important is volunteer work. In 1980 as many as 80 million Americans did some volunteer work, spending the equivalent of about 8 billion hours in such activity. The market value of this time has been estimated to be on the order of \$60 billion, suggesting that estimates of giving such as those shown in table 1.2 measure about half of the economic resources contributed to charitable organizations (Weitzman 1983, p. 270). In addition, the dollar amounts in table 1.2 do not directly reflect contributions made on fiduciary income tax returns for trusts and estates. Representing for the most part gifts not otherwise reflected on personal income or estate tax re-

1. Total receipts by charitable organizations were some \$28 billion in 1975 (see table 1.2, netting out foundation grants). Adding the \$11 billion yields 89 percent for contributions to 501(c)3 organizations.

Table 1.1 Tax-Exempt Organizations, 1975

Type of Organization	Number of Returns	Receipts in Millions of Dollars		Applicable Code Section
		Total	Contributions, Gifts, and Grants	
<i>Tax-Deductible Contributions Generally Allowed</i>				
Corporations organized under act of Congress	665	527	11	501(c)1
Charitable, religious, educational, and scientific organizations	82,048	65,544	17,110	501(c)3
Cemetery companies	1,518	255	5	501(c)13
War-veterans organizations	1,921	130	7	501(c)19
<i>Tax-Deductible Contributions Generally Not Allowed</i>				
Title-holding companies for exempt organizations	3,263	490	23	501(c)2
Civic leagues, social-welfare organizations, and local associations of employees	28,064	19,558	681	501(c)4
Labor, agricultural, and horticultural organizations	28,258	5,028	120	501(c)5
Business leagues, chambers of commerce, and real estate boards	17,530	3,890	230	501(c)6

Social and recreational clubs	18,228	2,535	32	501(c)7
Fraternal beneficiary societies	12,066	2,134	46	501(c)8
Voluntary employees' beneficiary associations	4,285	6,806	1,926	501(c)9
Domestic fraternal societies	4,674	507	21	501(c)10
Teachers' retirement-fund associations	49	100	6 ^a	501(c)11
Local benevolent life insurance associations	4,975	3,725	17	501(c)12
State-chartered credit unions	1,610	2,259	1 ^a	501(c)14
Mutual insurance companies or associations	864	59	0 ^a	501(c)15
Farmers cooperatives organized to finance crop operations	36	54	18 ^a	501(c)16
Supplemental unemployment-benefit trusts	496	959	244	501(c)17
Employee-funded pension trusts	42 ^a	13 ^a	7 ^a	501(c)18
Other organizations ^b	9,605	309	62	—
TOTAL	220,197	114,890	20,565	

Source: Sullivan and Coleman 1981, pp. 7–8, figure 1; p. 10, table 1.

^aEstimates based on small samples.

^bOrganizations not specified included trusts for prepaid group legal services (covered in section 501(c)20), black lung trusts (501(c)21), religious and apostolic associations (501(d)), farmers' cooperative associations (521(a)), cooperative hospital service organizations (501(e)), and cooperative service organizations of operating educational organizations (501(f)). Contributions to the last two types of organizations are generally tax deductible.

Table 1.2 Estimated Charitable Giving by Source, Selected Years

Year	Individuals	Corporations	Bequests	Foundations	Total	Total in 1972 Dollars	Total as Percentage of National Income
<i>Amounts in Billions</i>							
1955	\$ 5.71	\$0.42	\$ 0.24	\$ 0.30	\$ 6.67	\$10.96	2.0
1960	7.63	0.48	0.57	0.71	9.39	13.67	2.3
1965	10.36	0.79	1.02	1.13	13.30	17.89	2.3
1970	15.92	0.80	2.13	1.90	20.75	22.69	2.6
1975	24.24	1.20	2.23	1.65	29.32	23.31	2.4
1980	39.88	2.60	2.86	2.81	48.15	26.95	2.3
1982	48.69	3.10	5.45	3.15	60.39	29.14	2.5
<i>Percentage of Total Giving</i>							
1955	85.6	6.3	3.6	10.6	100.0	—	—
1960	81.3	5.1	6.1	7.6	100.0	—	—
1965	77.9	5.9	7.7	8.5	100.0	—	—
1970	76.7	3.9	10.3	9.2	100.0	—	—
1975	82.7	4.1	7.6	5.6	100.0	—	—
1980	82.8	5.4	5.9	5.8	100.0	—	—
1982	80.6	4.5	9.0	5.2	100.0	—	—

Sources: *Giving U.S.A.* 1983, p. 36; U.S. Council of Economic Advisers 1983, p. 186.

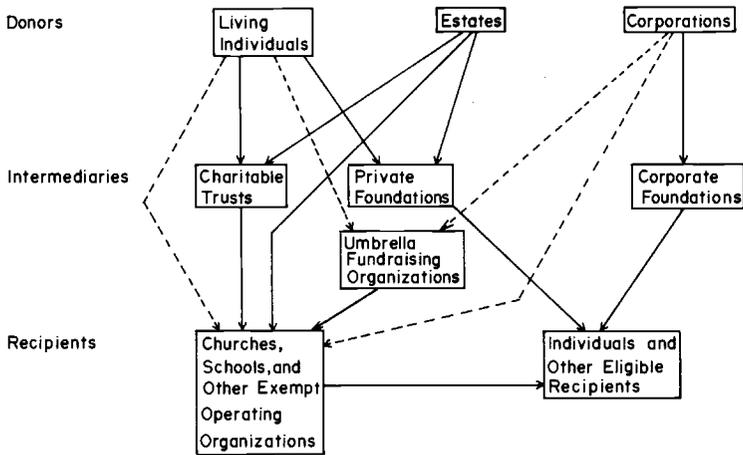


Fig. 1.1 Principal flows of charitable contributions and transfers. Solid lines signify flows of cash or other assets. Dotted lines denote flows of voluntary services as well as monetary flows.

turns, contributions by fiduciaries were some \$600 million in 1974, or about 2 percent of total giving.² Because of their small size these contributions by fiduciaries are not covered in the present study.

In order to show the relationship among these categories of giving as well as the connection between them and support of nonprofit organizations, figure 1.1 traces the major flows of money and volunteer services from donors to recipients in the nonprofit sector. There are three classes of original donors: living individuals, the estates of decedents, and corporations. Individuals and corporations may contribute money or volunteer services. The gifts of money may go directly to tax-exempt organizations or may pass through some tax-exempt intermediary institution. These intermediaries include charitable trusts, private foundations, and corporation foundations.³ Because the intermediaries essentially are conduits for previous gifts, it is strictly incorrect to add, for example, foundation grants to other donations. However, the timing of such grants may be so far removed from the original gifts that it can be useful to show them along with contributions from original donors. Umbrella fund-raising organizations such as community foundations or the United Way act as a central collection point for contributions, which are then distributed to operating nonprofit agencies according to an established formula. Such

2. See U.S. Internal Revenue Service, *Statistics of Income—1974, Fiduciary income tax returns 1977* for the most recent published data on charitable deductions by fiduciaries. Whether fiduciary contributions are reflected in the *Giving U.S.A.* estimates is unclear.

3. Recipient organizations such as religious organizations may also act as conduits by making grants to other charitable groups.

organizations receive money and volunteer services primarily from individuals and corporations, though they might well receive support from, say, foundations as well. The ultimate recipients of charitable giving are the hospitals, museums, churches, and colleges that make up the service-providing “retailers” of the nonprofit sector. Most of the organizations in this category are eligible to and do receive tax-deductible contributions directly from individuals and corporations. Some ultimate recipients are nonexempt organizations or individuals, gifts to whom are typically not deductible for individuals or corporations but which may nevertheless receive grants from foundations.

Although charitable giving is an important source of support for operating nonprofit organizations, it is by no means the only source. Table 1.3 presents a summary of aggregate receipts and expenditures in 1980 for the entire “philanthropic sector”—those nonprofit organizations eligible for tax-deductible contributions. Total expenditures for this sector were \$129 billion.⁴ To cover this amount, organizations raised \$60 billion through sales of goods and services and \$69 billion from subsidies, of which private donations constituted the most important component—about \$45 billion. For this group of nonprofit organizations, therefore, charitable contributions represented about 35 percent of total support.

A more detailed breakdown of sources of support is given in table 1.4. Based on a survey of nonprofit organizations in Philadelphia, the percentage distribution reflects an unweighted average of distributions of indi-

Table 1.3 Receipts and Expenditures of Philanthropic Organizations, 1980
(\$ billions)

Receipts		Expenditures	
Sales	\$60	Purchases of goods and services	\$ 43
To businesses	\$ 4		
To households	30		
To government	26	Salaries	75
Subsidies	69	Capital costs (including rental property)	11
Private donations	45		
Government grants	8		
Investment income	7		
Rental value of property	9		
TOTAL	\$129	TOTAL	\$129

Sources: Estimates of Gabriel Rudney, “Toward a Quantitative Profile of the Nonprofit Sector,” in Program on Non-profit Organizations 1981, p. 3.

4. To avoid double counting, these figures omit foundation grants to other organizations (Program on Non-profit Organizations 1981, p. 3).

Table 1.4 Sources of Support for Nonprofit Institutions in Philadelphia, 1973 and 1978

Source	Percentage of Total Support	
	1973	1978
Private sources		
Foundation grants	4.9	6.3
Individual gifts—direct	7.8	7.9
Federated funds (including United Way)	10.1	7.8
Special benefit events	1.5	1.1
Trusts and bequests	7.4	7.3
Subtotal	31.6	30.3
Government		
Federal	14.7	14.8
State and local	16.4	19.1
Subtotal	31.1	33.9
Self-generated income		
Fees (including tuition)	22.6	21.8
Sales of merchandise	2.7	2.7
Membership dues	2.8	2.6
Income from endowment	3.9	3.9
Income from other assets	5.3	4.8
Subtotal	37.3	35.8
TOTAL	100.0	100.0

Source: Reiner and Wolpert 1981, p. 26, table 1.

vidual organizations.⁵ These figures imply that nonprofit groups on average received support from three sources in approximately equal amounts: private sources, government, and sales of other self-generated income. The two most important sources of private support were direct gifts from individuals and transfers from umbrella fund-raising organizations, each with 8 percent of total support in 1978. Bequests and transfers from trusts and foundations were also an important source, together accounting for about 14 percent of support. Not only is charitable giving an important

5. Thus the relative size of institutions plays no part in these calculations as is the case in table 1.2.

source of support for nonprofit organizations, therefore, but many organizations receive this support by means of intermediaries, such as trusts, foundations, and umbrella fund-raising bodies.

1.1.1 Support by Recipient Group

In considering the implications of tax policy for charitable giving, it is often important to go beyond aggregate measures to observe the relative importance of giving for the major recipient groups within the nonprofit sector. Probably the best summary of the importance of giving for these groups is a simple tabulation of total contributions by major groups, as is given in table 1.5 for the years 1960 and 1982. The most striking aspect of the distribution for either year is the large share of contributions that go to religious organizations. For 1982, giving to religious organizations accounted for 47 percent of the total. Educational and health institutions were next in importance, each accounting for 14 percent of total giving. Social service organizations claimed 11 percent, and arts and humanities another 8 percent of total giving. Between 1960 and 1982, the largest relative increase was recorded by arts and humanities organizations: their share increased from 2 to 8 percent. Increases in shares also occurred in the civic and public and the health and hospital groups. Groups whose shares fell during the period were social services, religion, and education.

The relative importance of charitable gifts as a source of support also varies by subsector. Table 1.6 presents a distribution of funding sources by major recipient group in 1974. This tabulation shows that, for the nonprofit sector as a whole, private contributions and government funds each provided about 30 percent of total support, with the remaining 40 percent coming from dues, sales, and endowment income, corresponding roughly to the distribution given in table 1.4. Among the major recipient groups, religious organizations were most dependent on charitable gifts for sup-

Table 1.5 Charitable Giving by Recipient Group, 1960 and 1982

Recipient Group	Giving (in billions)		Percentage of Total	
	1960	1982	1960	1982
Religion	4.79	28.06	51.0	46.5
Education	1.50	8.59	16.0	14.2
Social services	1.41	6.33	15.0	10.5
Health and hospitals	1.13	8.41	12.0	13.9
Arts and humanities	0.19	4.96	2.0	8.2
Civic and public	0.09	1.67	1.0	2.8
Other	0.28	2.37	3.0	3.9
TOTAL	9.39	60.39	100.0	100.0

Source: *Giving U.S.A.* 1983, p. 38.

Table 1.6 **Distribution of Support for Nonprofit Organizations, by Recipient Group, 1974**

Recipient Group	Philanthropy	Service Charges and Endowment Income	Government Funds	Total
Religion	94	6	—	100
Health	11	47	42	100
Education	32	56	12	100
Other	31	35	34	100
TOTAL	31	40	29	100

Source: Report of the Commission on Private Philanthropy and Public Needs, cited in Sumariwalla 1983, p. 195.

port, receiving some 94 percent of all revenues from contributions. Given the lack of fees or government funding for religious activities, this dependence is not surprising. Health organizations, in contrast, showed the least dependence on contributions, with almost 90 percent of their revenues being derived from service charges, government support, or endowment income. Education and other nonprofit groups received about 30 percent of their revenues from contributions. In summary, churches and other religious organizations are distinctive in their dependence on charitable giving and the large share of all giving that they receive. Educational institutions and hospitals each account for the second largest share of contributions, but the former depends on these contributions to a greater extent. Religious institutions aside, nonprofit organizations receive a sizable part of their funding from self-generated revenues and government support.

1.2 Philanthropy and Tax Policy

Two cornerstones underlie U.S. tax policy toward charitable activity: the deductions for contributions allowed in major federal taxes (the personal income tax, the corporate tax, and the estate tax) and the tax-exempt status generally accorded nonprofit institutions. The tax exemption is of general importance to the nonprofit sector and is discussed below. As for the tax deductions, the size of individual giving suggests that the charitable deduction in the personal income tax is of preeminent importance. Adopted in 1917, four years after the enactment of the individual tax itself, the provision allows the deduction of individual contributions of cash or other assets made to eligible organizations up to certain limits. Since 1917 the deduction has been modified in two principal ways. First, the introduction of the standard deduction in the 1940s as a major

simplification measure effectively eliminated the charitable deduction for a majority of taxpayers. Second, a provision of the 1981 Economic Recovery Tax Act calls for a phasing in of a new charitable deduction for nonitemizers. If implemented as planned, this provision would give all taxpayers an opportunity to deduct contributions. As will become clear in later chapters, the effect of provisions such as these cannot be evaluated without reference to the overall structure of the income tax and its tax rates. In addition, state income taxes usually allow a deduction for gifts similar to the federal deduction and thus are another influence on contributions.

The debate over these provisions has pitted those who think the deduction is an effective and appropriate incentive for charitable giving against those who believe that simplification or equity would be better served with less favorable provisions for contributions. These issues are as relevant in recent discussions of low-rate comprehensive income taxes as they were in the debate over the standard deduction in 1941. The majority of such "flat-rate" tax schemes, would, for example, eliminate the charitable deduction altogether.⁶ Levels of giving may also be influenced by the structure of taxes and tax rates. The debate over provisions affecting charitable deductions is therefore framed by normative questions of their equity, the importance of tax simplification, and the comparative value of public and nonprofit provision of services as well as by the factual question of how taxes affect contributions.

Besides the charitable deduction in the individual tax, two other deductions and a separate set of related provisions affect charitable giving directly. First, charitable bequests made as part of the disposition of estates are deductible without limit in calculating the federal estate tax. Individuals wealthy enough to be subject to the estate tax may choose between making deductible contributions during life or deductible charitable bequests at death. Second, contributions made by corporations are deductible up to a limit in calculating the corporate income tax. In addition to these provisions, the tax law allows individuals to set up foundations or charitable trusts and deduct the value of gifts made through them. As with the income tax, state taxes are generally similar to their federal counterparts in how charitable gifts are treated.

In addition to these four sets of provisions directly affecting charitable contributions, the tax-exempt status accorded to eligible nonprofit organizations has significant indirect impact. Except for unrelated business earnings, nonprofit organizations are not subject to income taxation. In addition, they are generally exempt from property taxation at state and local levels. Although these provisions certainly influence the growth,

6. For further discussion of these issues, see Teitell 1977, p. 486, and U.S. Congress, Senate 1980.

cost, and vitality of nonprofit functions, their effect on the level of charitable contributions is indirect. In much the same way, the structure and performance of the nonprofit sector are influenced by the whole panoply of relevant laws and regulations, and this structure and performance in turn may affect the level of private charitable contributions.

1.3 Scope of the Present Study

The remainder of the book focuses on the effect of federal tax provisions on the level and distribution of charitable contributions in the United States. The laws and specific tax provisions related to the operation of nonprofit organizations are for the most part not dealt with. Nor is there any examination of the behavior of nonprofit organizations themselves—with the exception of foundations. Instead, the study focuses on the behavior of donors and foundations and the effect of taxes on that behavior. In addressing these positive questions, the study makes extensive use of and reference to econometric analyses. Without the application of multivariate models of analysis, the task of identifying the independent effects of tax provisions on giving in the presence of other influences would be hopeless rather than merely difficult. At the same time, an effort is made throughout the exposition to provide comprehensible summaries of abstract models and econometric estimates where they are presented.

In order to investigate the positive question of how taxes affect contributions, it is necessary to begin with a model of giving itself. The models adopted in this study are based on the basic economic theories of individual and firm behavior, although some important variants are discussed. Using these basic models, it is possible to make predictions concerning the effects of changes in the tax structure, including changes in the deductibility of contributions. How these effects vary by income and age are of great importance in evaluating tax policies toward the nonprofit sector. Other questions, though, are also of considerable practical interest. For example, it is useful to ask whether and how the giving behavior of different individuals is related. Or, what is the relationship among the volunteering, lifetime donations, and bequests undertaken by an individual? And, is individual giving influenced by the level of government spending or is it affected only by the taxation side of public budgets?

For the most part the present study leaves aside the normative questions involved in determining what constitutes proper treatment of charitable contributions within the tax system. Chapters 2 through 7 are restricted to an evaluation of positive questions of effect or likely effect. The positive questions are necessary for a full assessment of these issues of tax policy, but they are of course not sufficient. In order to provide a framework for a more complete analysis, the last chapter discusses normative as well as positive issues.

Chapters 2 and 3 examine the effect of the personal income tax on individual charitable contributions. Chapter 2 focuses on the determination of the behavioral relationship itself, describing the most important tax provisions relevant to individual giving, theoretical predictions about tax effects, and econometric analyses of the question. Particular attention is devoted to the data, models, and estimation procedures used in this empirical work. The studies are reviewed for their implications for various hypotheses regarding individual giving. The final section of the chapter reviews econometric analyses using data for other countries. Chapter 3 traces the implications of the estimates of econometric models by simulating the likely effects of actual or possible tax provisions. These include such options as a charitable deduction for nonitemizers, a tax credit for contributions, or the complete elimination of the deduction. In addition, the implications of general tax changes such as the institution of a flat-rate comprehensive tax and changes in the standard deduction are considered. Simulation models focusing on changes in giving over time are also presented. These models focus on the effects of inflation, tax rate changes, and, in particular, the provisions of the 1981 tax act. The chapter devotes attention to the methods of simulation as well as to the results.

Chapter 4 examines the implications of tax policy for volunteering. Following a description of the tax treatment of volunteer work, income tax effects within the theory of the household's allocation of time are discussed. Given the possibilities for work, volunteering, other household work, and leisure, and for interactions in time use between spouses, the theoretical problem is quite complex indeed. Previous econometric work on volunteering with implications for tax effects is then reviewed, followed by a new analysis of volunteering by women.

Chapter 5 examines corporate contributions and the effect of the charitable deduction in the corporate income tax. The tax treatment is described, and implications of economic models of the firm are developed. Previous econometric analyses of corporate giving—their data, methods, and results—are then described. Finally, an econometric analysis of aggregate data on corporate contributions over the period 1936 to 1980 is presented. Special attention is devoted to the variation in corporate income and in the price of gifts over time and across asset classes.

The next two chapters deal with charitable bequests and philanthropic foundations. Chapter 6 describes the estate tax and the importance of bequests for various nonprofit activities. First it reviews the results of three econometric analyses of charitable bequests and then presents an analysis of a sample of 1976 estate tax returns. Finally, the resulting estimates are used in considering the effect of recent tax changes on bequest giving. In chapter 7 the role of private foundations within the larger charitable sector is described along with the tax legislation affecting them. Particular at-

tention is paid to the Tax Reform Act of 1969, which contained a comprehensive set of taxes and requirements related to private foundations.

The final chapter—chapter 8—summarizes the study and suggests a framework for considering the behavioral findings described here. Although it makes no policy recommendations, the chapter discusses normative principles relevant to a more complete assessment of tax policy toward charitable giving. Like the rest of the study, this discussion is limited to a consideration of contributions by donors and foundations and does not extend to a consideration of such issues as governance, management efficiency, or responsiveness in the operation of nonprofit agencies themselves.