

One-Page Policy Brief



Death Tax Repeal will not Harm Charitable Giving

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There is speculation that permanent estate tax repeal would cause charitable donations to decrease due to the lost estate tax charitable deduction. This speculation is often based on anecdotal evidence, if not blind assumptions. The economic data indicates that permanent estate tax repeal may actually increase charitable contributions.

1. Charitable Bequests are only One Side of the Coin

Research shows that most wealthy individuals would substantially increase their total life-time giving if taxes took less of their wealth. Paul Schervish from Boston College found that for people with more than \$5 million in wealth, repeal would actually encourage them to use the savings to increase their charitable giving.ⁱ Why?

The estate tax deduction encourages large bequests over gifts made throughout the course of life. The estate tax deduction is unlimited and allows a family to control its assets until death, making the estate tax deduction preferable to the income tax deduction. Eliminating the estate tax (and estate tax deduction) would make income tax deductions – via life-time charitable giving – more attractive, thereby encouraging more lifetime gifts.

2. Taxes are Not the Primary Reason for Charitable Giving

Charitable giving is an American institution that pre-dates the estate tax and exists independently of tax-related considerations. A National Committee on Planned Giving study found that the primary reason that people make gifts is to “support the charity.”ⁱⁱ Similarly, a Boston College survey found that the primary motivating factor for family charitable giving is to “find a worthy cause that you feel passionate about.”ⁱⁱⁱ

3. Charity Depends on Overall Donor Wealth

The Boston College survey of wealthy family giving patterns indicates that many wealthy Americans would make considerably greater charitable contributions if their tax liability were lower. According to the survey, respondents indicated that with lower taxes they would contribute 10% more to charity.^{iv}

Conclusion: The data presented here buttresses the *Chronicle of Philanthropy's* observation that “eliminating the federal estate tax would not cause most people, including the wealthiest Americans, to change their charitable-giving habits....”^v

Citations on reverse.

Citations

ⁱ Paul G. Schervish. "Philanthropy Can Thrive Without an Estate Tax." *The Chronicle of Philanthropy*. January 11, 2001. p. 47.

ⁱⁱ "Planned Giving in the United States 2000—A Survey of Donors," published fall 200 by National Committee on Planned Giving.

ⁱⁱⁱ Paul G. Schervish and John J. Havens. "Extended Report of the Wealth with Responsibility Study." Social Welfare Research Institute. Boston College (March 2001). 27.

^{iv} Schervish and Havens. 35.

^v "New Poll Shows How Wealthy View Estate Tax. Other Giving Issues." *The Chronicle of Philanthropy*. January 25, 2001.