

**Urban Institute Roundtable:
“What’s Been Happening to Charitable Giving in
Recent Years and in the Great Recession: a Look
at the Data”**

August 25th, 2011

**Slides and remarks on charitable giving at death
reported on estate tax returns**

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Charitable Giving at Death Reported on Estate Tax Returns, 2004 - 2009

Disclaimer

Any opinions expressed here are solely my own and do not represent the position of the Internal Revenue Service or the Department of the Treasury

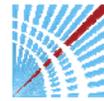
Remarks:

So far, the discussion at this meeting has mostly centered on charitable giving during life. This presentation will focus on charitable giving at the time of death as reported on Federal estate tax returns filed during calendar years 2004 through 2009. Throughout this presentation, it is important to remember that most estate tax returns are filed in the calendar year following the decedent's year of death, which means that the data I present will be primarily for decedents who died during the period 2003 through 2008.

As a disclaimer, please keep in mind that any opinions that I express here are solely my own and should not be considered the official position of either the Internal Revenue Service or the Department of the Treasury.

Overview

- Estate tax returns provide a unique opportunity to observe charitable giving at death
- The Statistics of Income (SOI) division of the Internal Revenue Service (IRS) collects detailed information from estate tax returns:
 - Decedent demographic information
 - Amount bequeathed to charity
 - Types of charitable organizations receiving bequests



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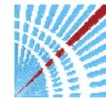
As a brief overview, estate tax returns offer a unique opportunity to observe charitable giving at the time of death. SOI collects detailed information from estate tax returns, which includes demographic information about the decedent, the amounts bequeathed to charity, and the types of charitable organizations receiving these bequests.

Background on SOI Estate Tax Data

- Annual study conducted by SOI
- Stratified, random sample
- Significant changes to tax law and filing population over last decade
 - 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA)
 - Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

Year of Death	Estate Tax Exemption	Highest Estate Tax Rate
2003	\$1.0 million	49 %
2004	\$1.5 million	48 %
2005	\$1.5 million	47 %
2006	\$2.0 million	46 %
2007	\$2.0 million	45 %
2008	\$2.0 million	45 %
2009	\$3.5 million	45 %
2010*	\$5.0 million	35 %
2011	\$5.0 million	35 %

* Reinstated retroactively

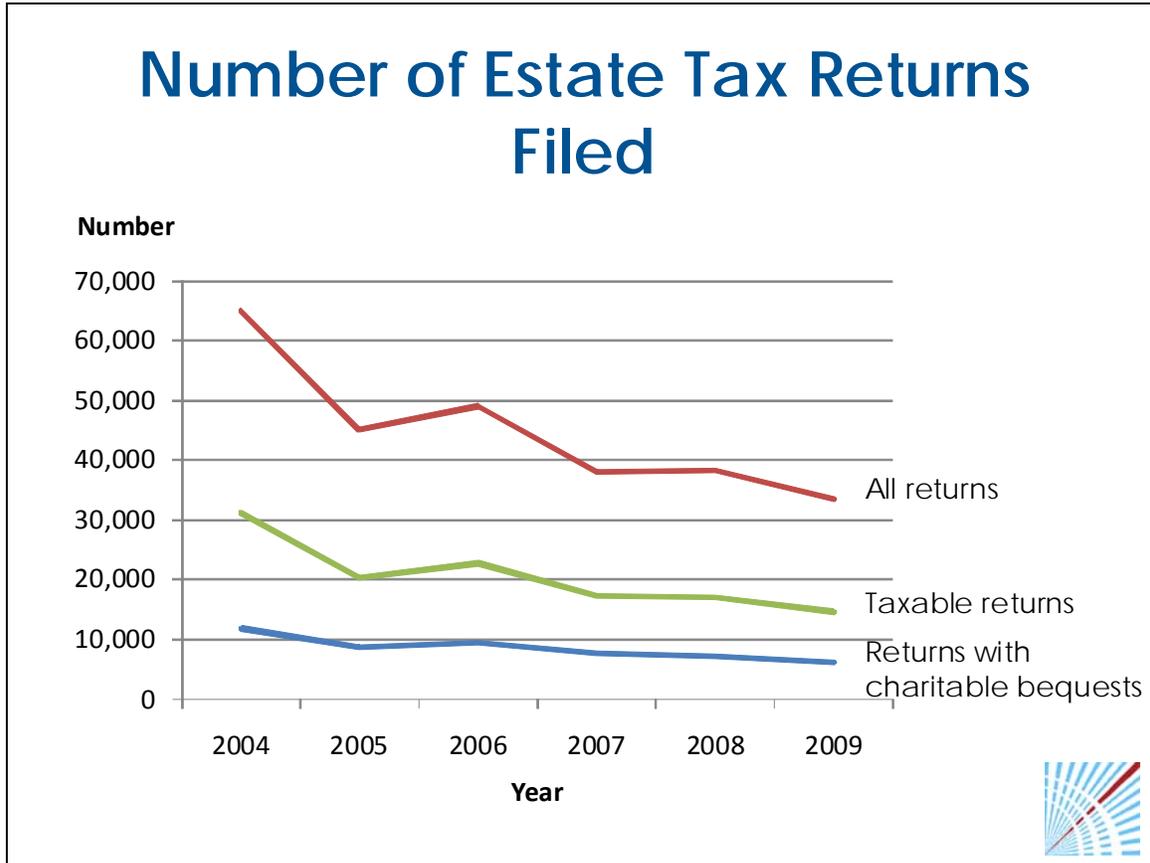


Remarks:

SOI conducts the estate study annually and captures data from a stratified, random sample of the filing population. Over the past decade, there have been significant changes to estate tax law due to two pieces of legislation, the Economic Growth and Tax Relief Reconciliation Act of 2001 (also known as EGTRRA) and the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (sometimes called the “Extenders Legislation”).

Put briefly, the overall effect has been a series of incremental increases to the estate tax exemption level and incremental decreases to the highest marginal estate tax rate. Notice that I have highlighted Year of Death 2009, for which the exemption level was \$3.5 million. Later in this presentation, I’ll be focusing on estate tax returns with \$3.5 million or more in gross estate, for reasons that I’ll discuss in the next few slides

Slide 4



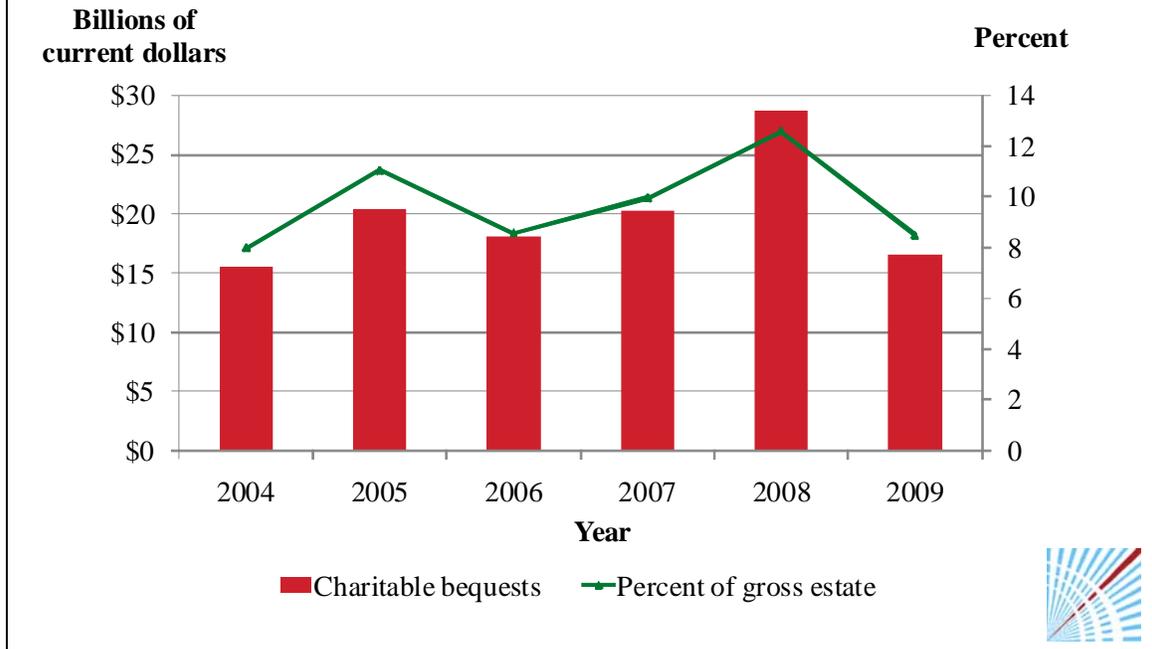
Remarks:

The red line in this graph shows that the number of estate tax returns filed each year fell notably between 2004 and 2009, mainly as a result of the changes to tax law, decreasing from about 65,000 in 2004 to about 33,000 in 2009. As shown by the green line, the number of taxable returns fell to a roughly proportionate degree.

The blue line shows that the number of returns reporting charitable bequests also fell during this period, although you'll notice that the slope of this line is less than that of the other lines. As you'll see throughout the rest of this presentation, this is primarily due to the fact that larger estates tend to include charitable bequests more often than smaller estates. Therefore, although the tax law changes reduced the filing population by almost half, the effect on the number of returns reporting charitable bequests was much smaller.

Remember that most estate tax returns are filed in the calendar year following the decedent's death.

Amount of Charitable Bequests Reported on Estate Tax Returns



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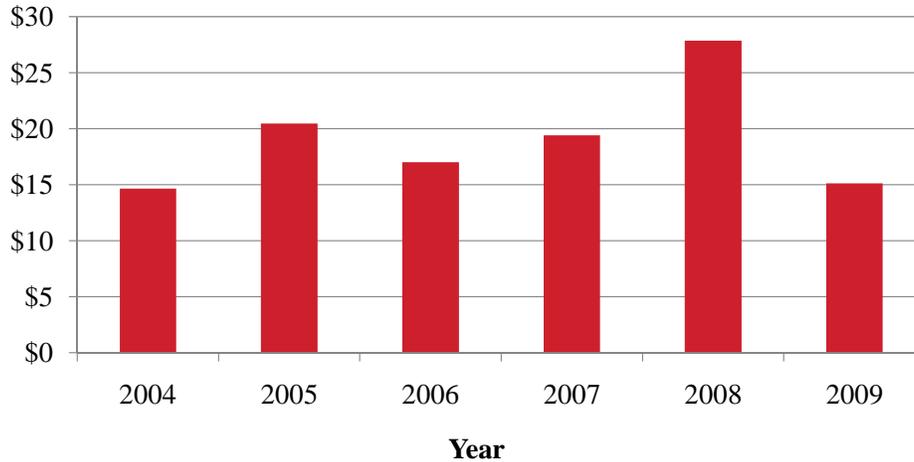
The red bars in this graph show that, despite the decline in the number of estate tax returns filed between the 2004 and 2009, the total amount of charitable bequests in each year stayed within a relatively stable range of \$15 billion to \$20 billion, with the exception of 2008, when charitable bequests totaled more than \$28 billion. Please note that the values shown are the actual dollar amounts reported in current dollars for each year. As you'll see in later slides, the total amount of charitable bequests in a given year can be notably affected by very large bequests from the estates of a relative small number of the wealthiest decedents.

The green line in this graph represents the amount of charitable bequests as a percentage of the total gross estate reported for the estates of all decedents. As shown in the scale on the right axis, this percentage varied within a range of about 8 percent to about 13 percent during this period, with the highest percentage reported in 2008.

Slide 6

Amount of Charitable Bequests Reported by Large Estates*

Billions of 2009 dollars



* In this slide and throughout the rest of the presentation, “Large Estates” are defined as those with \$3.5 million in gross estate in constant 2009 dollars.

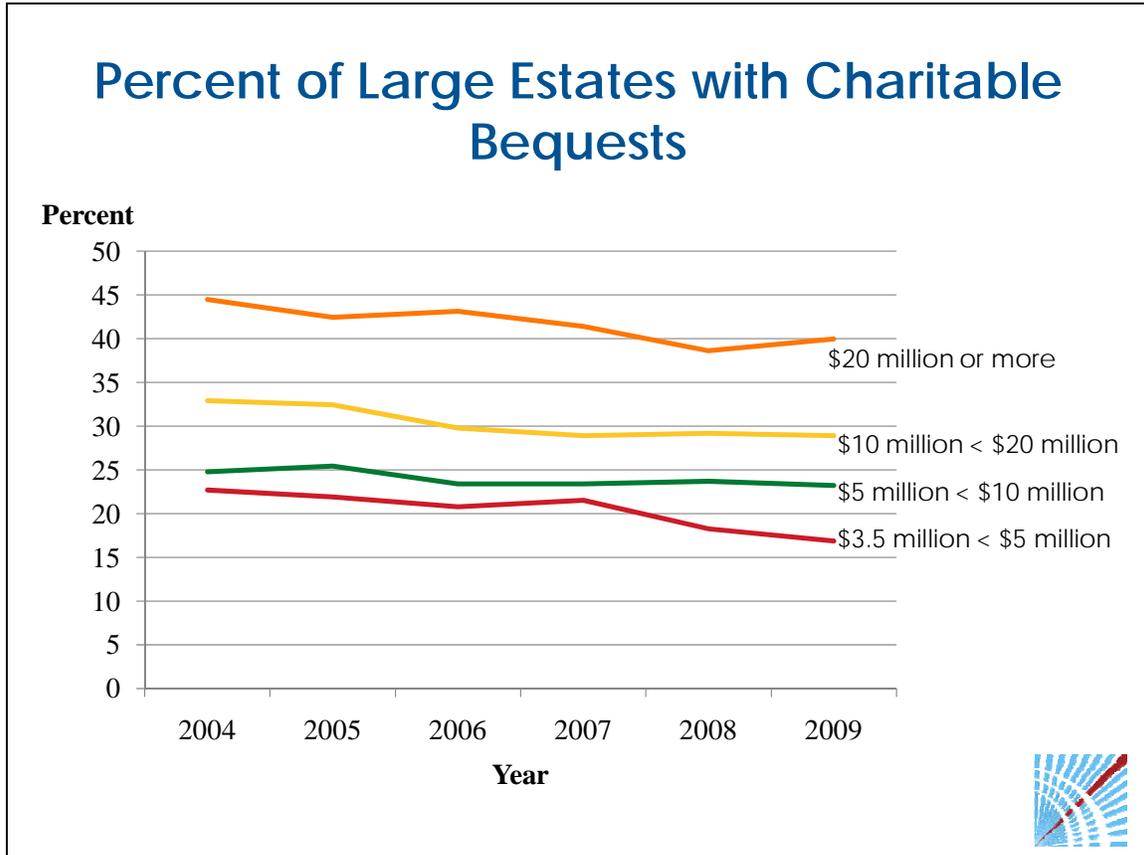


Remarks:

In this slide and throughout the rest of the presentation I limit the analysis to estates with \$3.5 million or more in gross estate in constant 2009 dollars (I’ll refer to this sub-population as “Large Estates”), and I will display all money amounts in constant 2009 dollars. Doing so will remove the effects of inflation on the trends, and, more importantly, limit the effects of the changes in the estate tax filing population I discussed earlier.

The red bars in this graph show that the total charitable bequests of large estates accounted for most of the value of total bequests reported by all estates that I showed you on the previous slide. This underscores the fact that smaller estates accounted for a relatively small fraction of the aggregate value of charitable bequests in each year. You will also notice that the recession does not seem to have had an impact on charitable bequests so far. This is not surprising, since many charitable bequests are planned well in advance of death. As additional years of data become available, we will be better able to assess the impact of the recession on charitable bequests, if any.

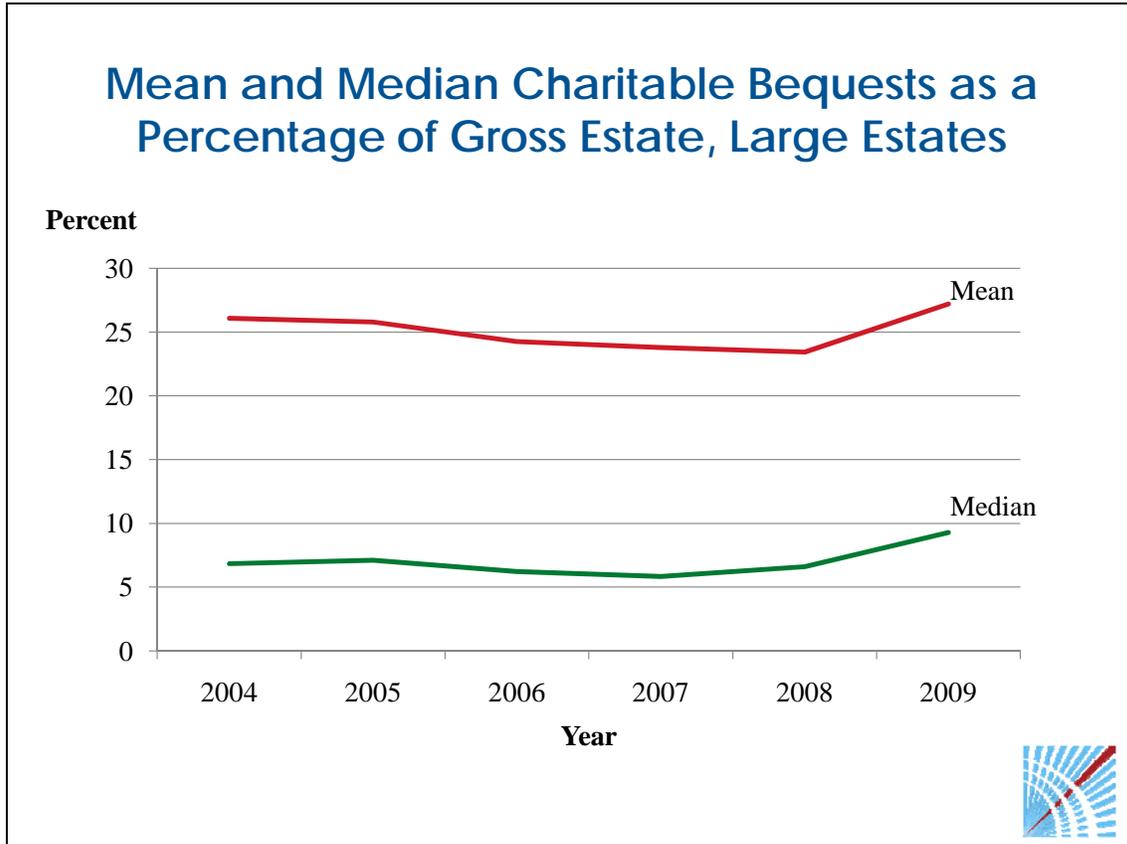
Slide 7



Remarks:

This graph shows the percentage of large estates that reported a charitable bequest, in four size-of-estate classes. In each year, the largest estates reported charitable bequests at a higher rate than relatively smaller estates. You will also notice a small downward trend in the percentage of large estates that included a charitable bequest between 2004 and 2009. This small downward trend is present in each of the four size-of-estate classes shown.

Slide 8



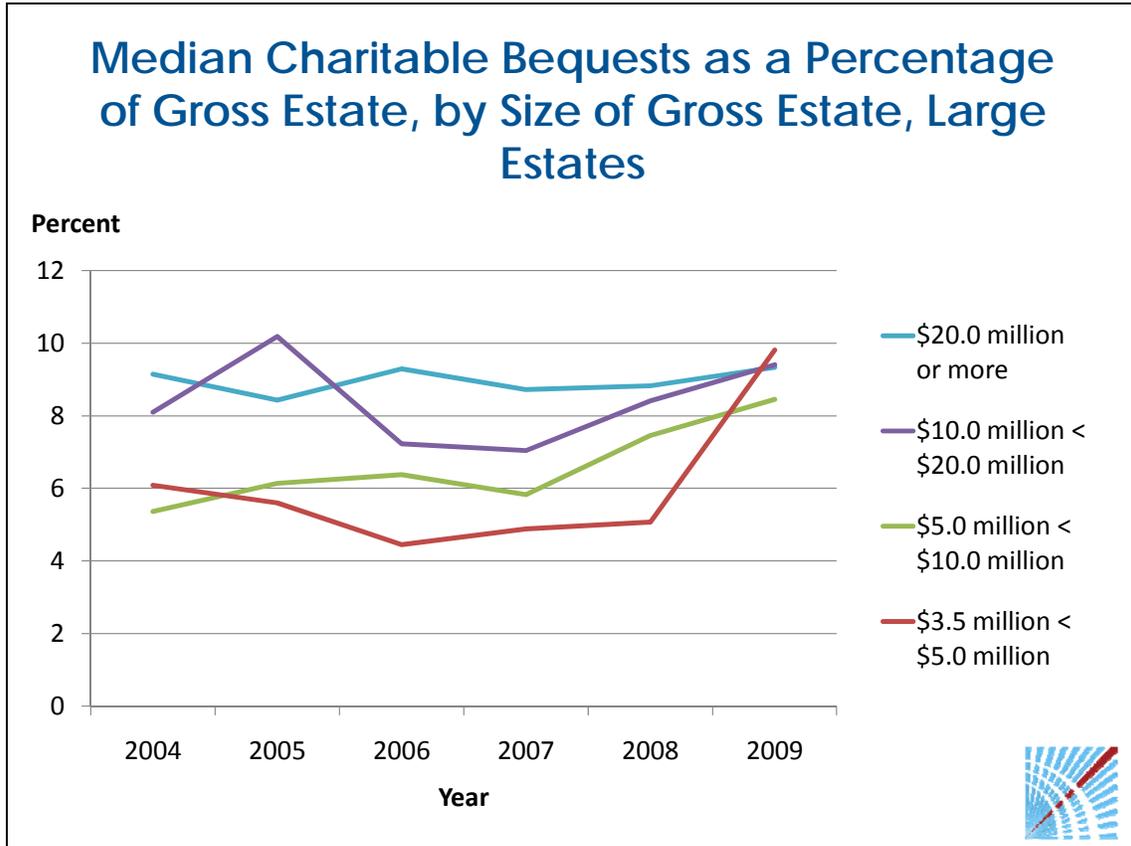
Remarks:

Over the next few slides I will look at the amount of charitable bequests reported by large estates that included such bequests. This graph shows the mean and median charitable bequest, expressed as a percentage of gross estate. The mean percentage, shown by the red line, was about 25 percent in each year, with the exception of 2009, when it was nearly 28 percent. The green line shows the median percentage, which was about 6 percent to 7 percent in most years, with an increase to over 9 percent in 2009.

The increase in both the mean and median percentage in 2009 may again be due to the fact that, charitable bequests are often planned well in advance of death. In many cases, the value of a decedent's asset holdings, as reflected in gross estate, may have declined due to the recession, while the pre-planned charitable bequest amount remained unchanged. This may have resulted in the higher relative mean and median bequests in 2009.

Also worth noting is the significant difference in the mean and median each year. This difference clearly demonstrates the effects of a relatively small number of very large bequests on the aggregate data.

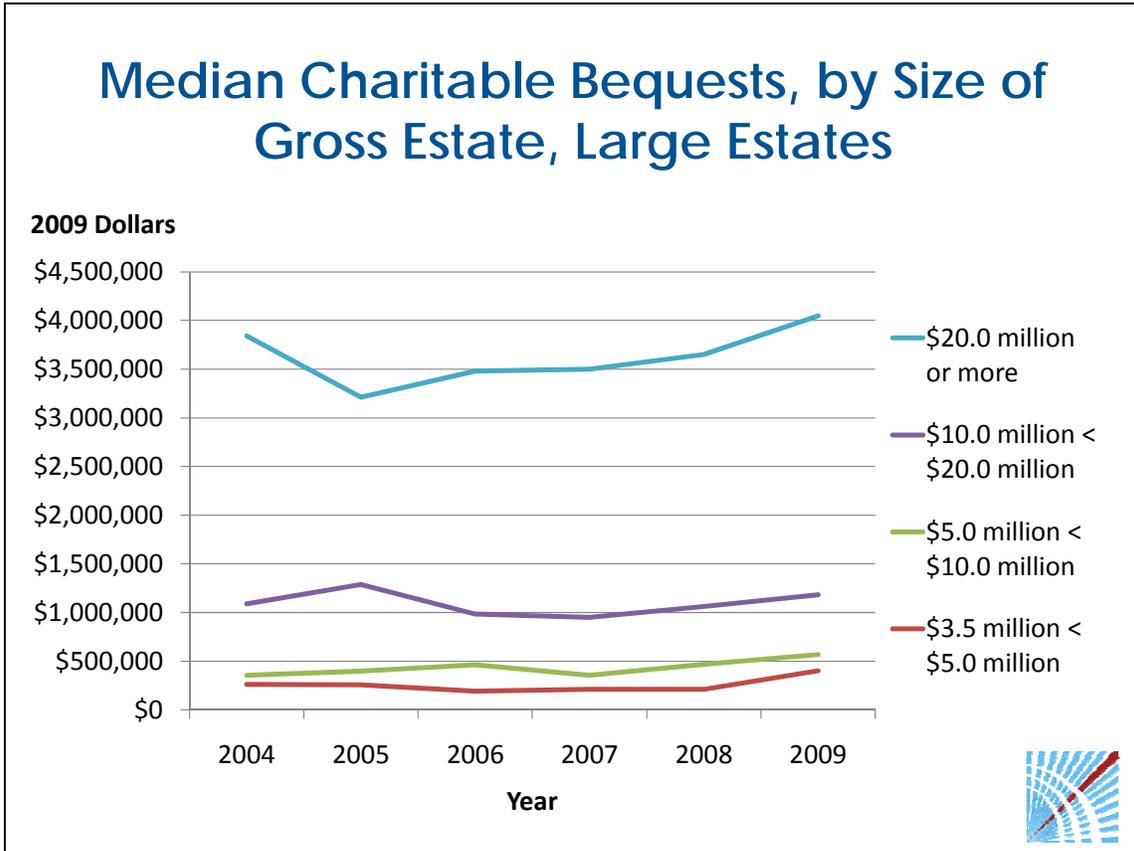
Slide 9



Remarks:

This graph shows median charitable bequests as a percentage of gross estate for those large estates that reported bequests, and it includes detail for the same size-of-estate classes used previously. While there was substantial year-to-year variation, in most years, at the median, larger estates tended to bequeath a larger percentage of gross estate to charities than their smaller counterparts. The increase in the median for 2009 in each of the size classes seems consistent with the idea mentioned previously that many estates experienced a decline in gross estate but had pre-planned bequest amounts.

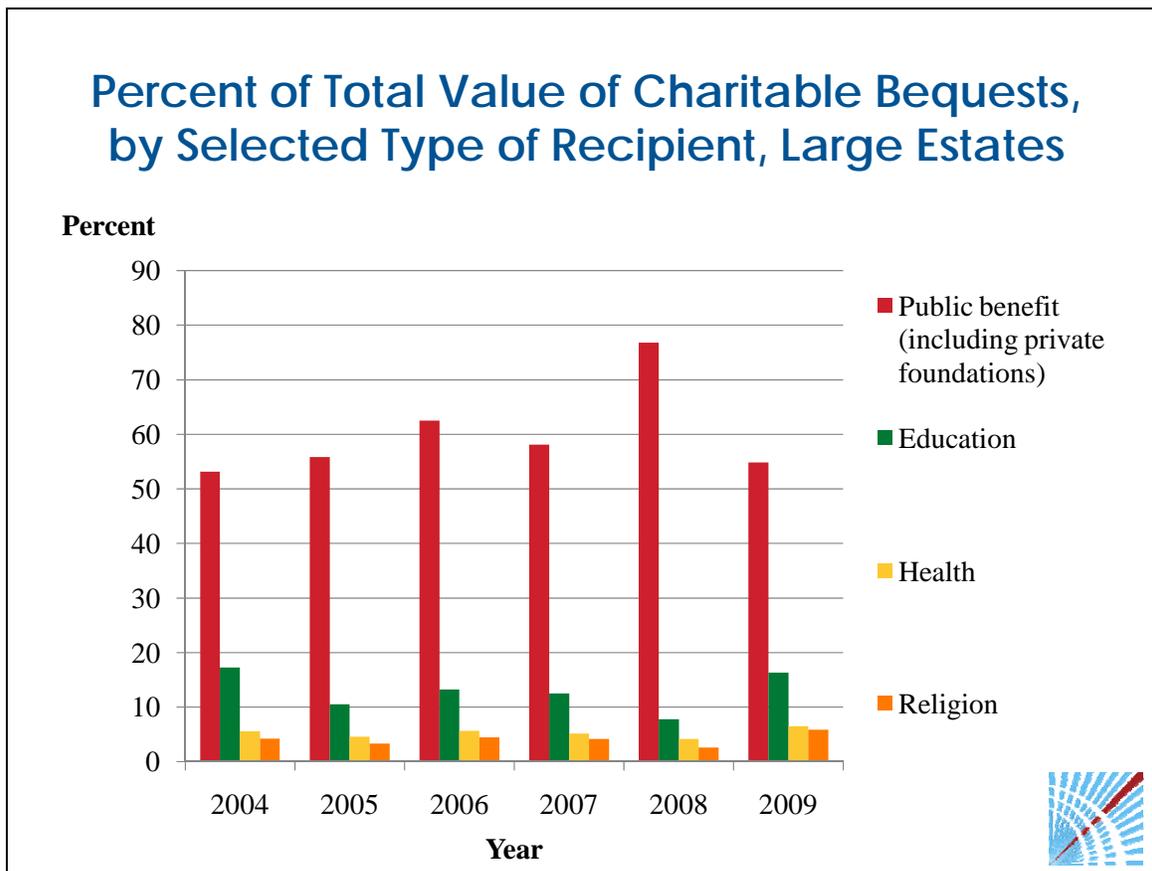
Slide 10



Remarks:

As in the previous graph, this graph shows the median charitable bequest of estates which made such bequests, broken out by size-of-estate classes. The difference is that this graph shows the medians in constant 2009 dollars instead of as a percentage of gross estate. Not surprisingly, larger estates reported larger median bequests than smaller estates. Estates with \$20 million or more in gross estate, represented by the light blue line, reported median bequests ranging between \$3.2 million and \$4.0 million during this time period. In contrast, estates with gross estates of \$10 million but less than \$20 million, represented by the purple line, included median bequests ranging from \$950,000 to \$1.2 million, and estates with gross estates of less than \$5 million, represented by the green and red lines, reported median bequests below \$600,000 in each year.

Slide 11



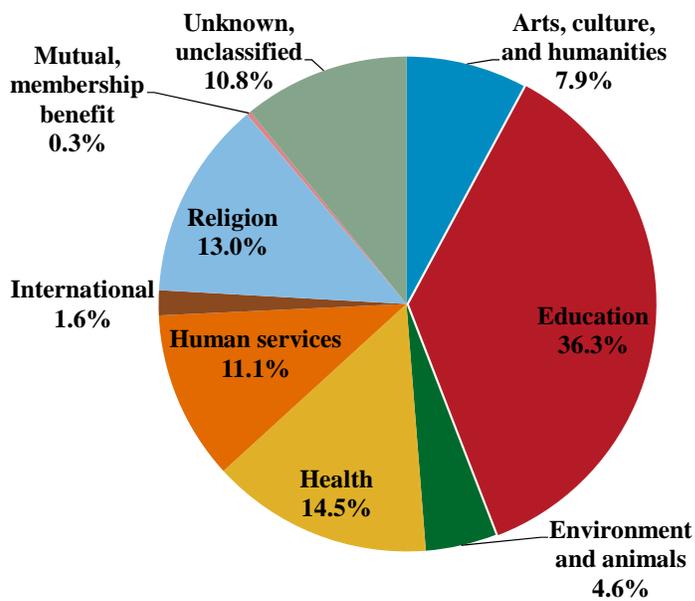
Remarks:

Having looked at the amount of charitable bequests and the percentage of estates that included them, I will now turn to looking at the types of charitable organizations that received these bequests. This graph shows the four largest types of charitable organizations receiving bequests from estate tax decedents, by the amount of bequests received. Bequests to public benefit organizations, which include private foundations, dominated the total value of charitable bequests, accounting for 52 to 77 percent of the total between 2004 and 2009. Bequests to private foundations accounted for most of the value bequeathed to public benefit organizations in each year.

Bequests to organizations associated with education accounted for the second largest share in each year, followed by health-related organizations and religious organizations.

Slide 12

Percent of Total Value of Charitable Bequests, by Type of Recipient Excluding Public Benefit Organizations, Large Estates

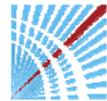


Remarks:

Because bequests to public benefit organizations dominated the total value of charitable bequests, I have included this graph for 2009, which excludes bequests to these organizations and therefore allows me to show you a richer view of the distribution of charitable bequest recipients. Bequests to organizations associated with education accounted for more than one third of the value of bequests not directed to public benefit organizations, followed by bequests to health-related organizations, which made up over 14 percent. Bequests to religious organizations and human service organizations each accounted for more than 10 percent of the value of non-public benefit bequests, while bequests to organizations focused on arts, culture, and humanities made up 7.9 percent.

Conclusions

- The number of estate tax returns with charitable bequests has declined along with the overall filing population
- Despite the decline in the number of returns and the economic downturn, the total value of charitable bequests has not dropped notably (so far)
- The percentage of all estates reporting charitable bequests experienced a small downward trend between 2004 and 2009
- Donations to private foundations by very wealthy individuals dominate the total value of charitable bequests



Remarks:

I think we can draw a few main conclusions from these data. First, the number of estate tax returns with charitable bequests has declined at a much smaller rate than that of the overall filing population due to changes in the estate tax law. Despite this decline, the total value of charitable bequests has not dropped notably, at least not so far. Another interesting observation is that the percentage of estates that reported charitable bequests experienced a small downward trend between 2004 and 2009. This small downward trend was present both for very large estates and for comparatively smaller estates. Finally, donations to private foundations dominated the total value of charitable bequests in each year.