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Webb, Natalie J.

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Tax Incentives for Corporate Giving Programs: What Measures Increase Funds Available?

Natalie J. Webb, PhD

INTRODUCTION

In recent years, politicians have called upon the private sector to provide increased support to nonprofit organizations. Included in this call is the public's expectation that the nonprofit sector supply solutions to current social problems. While politicians and the public expect corporations to provide increasing financial support to social services organizations, many nonprofit managers find corporate giving a confusing arena (Zippay, 1992).

One of the keys to understanding corporate giving is to understand that giving directly to a nonprofit organization versus giving through a private corporate foundation results in different financial effects for the donating corporation. For those administering and securing donations, understanding how the policies affect how much, and what types of gifts are made, is vital to helping raise much needed resources. Examined here are the financial implications for each type of corporate giving by presenting specific elements of current policy on tax rates and deductions for giving. Analysis of regulations illustrates why corporate executives make specific types

Dr. Webb is Assistant Professor of Economics, Naval Postgraduate School, DRMI, 1522 Cunningham Road, Monterey, CA 93943.

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of gifts in certain ways. Several avenues provide corporations ways to lower the cost of corporate giving. Understanding the methods of corporate giving may increase administrators' (and others') ability to increase donations to social service organizations.

CORPORATE GIVING AND THE EXTANT LITERATURE

Corporate direct giving is defined to be the amount of gifts made to any charitable activity under Internal Revenue Code 501(c)(3), including the corporate foundation, plus any contributions made to organizations outside the United States. Company-sponsored foundations are private foundations defined under Internal Revenue Code 509(a). Private foundations are generally "nongovernment, nonprofit organizations having a principal fund, managed by its own trustees and directors, and established to maintain or aid charitable, educational, religious, or other activities serving the public good" (*The Foundation Directory*, 1993 Edition, p. vi). Company foundations derive funds from a profit-making company but are legally separate entities that make grants "usually on a broad basis although not without regard for the business interest of the corporation" (*Directory*, p. vi).

Models of corporate provision of welfare services are based on four possible reasons for corporate giving—profit-maximization, altruism of the owners, social responsibility or duty, and managerial utility. Fry, Keim, and Meiners (1982) report many analysts maintain that profit is the prime impetus for the contributions of most top (*Fortune*) firms, with charitable giving serving as a marketing tool in which sales are increased through enhanced corporate image and visibility. Stendardi (1992) and Baumol (1970) comment that enlightened self-interest is often given as a motivator for giving. Burlingame (1994) suggests three factors affecting corporate giving: public relations, financial performance, and employee issue. Finally, Galaskiewicz and Rauschenbach (1988) note that *reciprocity*, when applied to nonprofits, may account for the range of philanthropic motives attributed to corporate giving. Nonprofit organizations gain donations or in-kind goods from firms, and in exchange the firms receive "increased sales, heightened prestige, a healthier business climate, and social approval" (Zippay, 1992, p. 210).

Empirical studies of corporate giving concentrate primarily on the amount and timing of aggregate contributions in relation to the price of giving, corporate income, firm size, industry structure, and advertising. Clotfelter (1985) provides a summary of the economics studies of aggregate data, employing both theoretical models and empirical work. Maddox and Siegfried (1981), Navarro (1988), and Stotsky (1991) used firm-specific data to address corporate giving. Only Stotsky's unpublished study analyzes the determinants of giving by corporate-sponsored foundations. It focuses on the interaction of foundation giving and federal government support, and explores the complicated relationship between gifts made directly to charities and those made to the foundation. Stotsky does not analyze the relationship between returns on foundation assets versus assets of the firm used for corporate giving, nor does she mention other differences between corporate direct and foundation giving.

Efficient use of corporate dollars results in more discretionary corporate funds. Even if executives are motivated by their own utility, shareholders and top management can (and probably do) structure incentives to encourage efficient allocation and use of corporate resources. Executives, no matter what their motivation, are concerned with the effects of their donations: they are mindful of benefits on long-term corporate productivity, costs of giving, and the quality of their charitable investments (Steinberg, 1986). Establishing the most cost-effective way to meet goals of the giving program is reflected both in terms of personal goals and net profits; thus, cost-effective giving is relevant to a firm's choice of vehicle for giving. This paper presents a model of corporate giving that considers cost-effectiveness in giving through a foundation versus directly to charity.

TAX LAWS AND BUSINESS CONSIDERATIONS FOR CORPORATE GIVING

Corporations may make donations in any amount to any group. In order to deduct a gift from taxable income, a firm's donation must go to a 501(c)(3) organization within the U.S., including gifts made to the corporate foundation. The tax code limits deductibility; up to 10% of a firm's annual taxable income may be deducted.

(Until 1981, 5% of taxable income could be donated in any year. The Economic Recovery Tax Act of 1981 raised the ceiling to 10%. Note taxable income includes depreciation allowances which change over time.) Contributions made in excess of 10% may be carried forward to offset profits made in later years. Additionally, since 1981, gifts of company product or property may be deducted only at cost (on a cost basis), except for certain gifts made to enhance technology or to assist infants, the infirm, or the needy. With few exceptions, gifts are treated the same as any other operating expense or cost of doing business; the expenditure is deducted from income before calculating taxes. Thus, the cost of giving is the complement of the marginal tax rate. An example in the next section illustrates.

What factors influence a firm's choice to use a foundation? Smith (no date) notes three general considerations: the business cycle, income taxes, and "image" considerations. A corporate foundation shelters the firm from the ups and downs of the business cycle and swings in its reputation by allowing corporate giving to remain fairly constant over time. Webb (1994) shows preliminary evidence that firms avoid income taxes by making larger donations to the foundation during years of higher profits and taxes, and smaller contributions in other years. A corporate foundation may also strengthen the image of the firm; it may signal the firm's intention to be "socially responsible."

The advantages in using a corporate foundation are numerous. Among the most important financial reasons for setting up a foundation is the incentive to reduce corporate tax liability by giving to the foundation in higher-profit years. Second, the firm's ability to fund a foundation with company stock or appreciated property has distinct tax implications—the foundation may sell the assets and not pay capital gains taxes on returns from the sale. An interesting story is that of the AT&T Foundation. In the mid-1980s, AT&T donated a building in downtown Manhattan to its newly-established corporate foundation. The foundation finances its philanthropic causes by either selling the building (paying no capital gains taxes on the earnings), or renting the building. Third, a firm may use a foundation to make donations outside the U.S. (A corporation may do the same, but gifts are not tax deductible.) Finally, some

perceive that foundation executives are experts in making judgments about the likely social payoff of various gifts.

Although the advantages are numerous and rewarding, using a corporate foundation generally complicates the issue of deductibility for most types of gifts. The primary disadvantages of using a corporate foundation result from the Tax Reform Act of 1969 (TRA69). TRA69 requires foundations to pay a 2% excise tax on earnings, and to pay out at least 5% of foundation assets annually. The IRS prohibits some gifts from being made through a foundation. For example, scholarship programs set up through a company foundation may award no more than 25% of eligible applicants. Many companies have scholarship programs for the children of employees and do not want to be restricted to giving a certain number of scholarships. Additionally, foundations may have extra costs due to different tax filing procedures and administrative expenditures. Finally, a possible disadvantage of making donations through a foundation is "publicness" of donations. All information of 501(c)(3) organizations, including that of corporate foundations, is public; corporate direct gifts are not a matter of public record in terms of sizes or recipients of gifts.

In summary, total giving is comprised of all gifts to charities, whether made through the corporate foundation or directly from the company. Support given to a corporate foundation is a deductible charitable donation, as are gifts made to charities within the U.S. If a corporation has a foundation, the tax deduction for charitable contributions is equal to the sum of gifts made directly to U.S. charities and gifts made to the corporate foundation. For a firm without a corporate foundation, gifts made directly to U.S. charities and the tax deduction are one and the same.

CORPORATE GIVING FOR A PROFIT-MAXIMIZING FIRM

In a profit-maximizing firm, executives evaluate the costs of making contributions directly versus making (at least some) contributions through a foundation. For the present, assume administrative costs of operating a corporate foundation are equal to those for a corporate direct giving program. The choice between direct and foundation giving depends upon annual tax rates, rates of return on

investments, types of gifts made (cash, property, stock, other assets), and the size of foundation assets. As noted, specific tax laws having to do with types of gifts (property, scholarships, and the like) affect the choice of vehicle for certain corporate gifts.

A corporation's cost of giving directly to charities is the amount of the contribution less the tax deduction received from making the contribution. For example, suppose a firm has gross income of \$140,000. Given a corporate marginal tax rate of 34% (the current marginal tax rate for firms in a certain tax bracket), and a \$40,000 donation, the firm's taxable income is \$100,000. Taxes are \$34,000, and after-tax income is \$66,000. Without the donation, after-tax income would be $140,000(1 - 0.34) = \$92,400$; thus the cost of donating \$40,000 is \$26,400 ($\$92,400 - 66,000$). An interpretation is that government subsidizes charitable activity by allowing a \$13,600 tax deduction on \$40,000 of corporate income.

Suppose that executives elect to give \$40,000 to the corporate foundation with the intent of making donations of \$40,000 to charities within the year (typically called a "pass-through"). As in the case above, the corporation's cost of giving is \$26,400. Suppose, however, the foundation has assets of \$20,000, pays 2% on earnings on investments (the current tax rate on foundation earnings), and earns 8% on investments. Foundation earnings, after taxes, are $\$20,000 * 0.08 * (1 - 0.02) = \$1,568$. Continuing the numerical example, the cost of a \$40,000 gift made through the corporate foundation, offset by a tax deduction of \$13,600 and foundation earnings of \$1,568, is \$24,832 ($\$40,000 - 13,600 - 1,568$).

In this simple case, it is less expensive for the firm to donate through a foundation than directly because earnings on the assets of the foundation add to the pool of funds available for corporate giving. Note, however, the corporation could invest a sum of funds to be used for corporate giving. The after-tax corporate earnings on contributions investments should be measured against the foundation's return on assets used to make donations.

Extending the Analysis to Include Other Costs and Benefits

Firms operating corporate foundations tend to make some donations directly to charity and some through the corporate foundation. Both types of giving must be included in the analysis. Second,

corporate gifts often include company products and services, and company property, in addition to cash. Third, contributions to charitable organizations outside the U.S. are also made by corporations and foundations. In this study, consideration is given only to gifts made directly to charities (either cash or the deductible value of in-kind gifts) and gifts to the foundation of cash or assets made specifically with the intent of funding charitable giving by the foundation. Considered are overseas gifts made only by the company foundation (overseas gifts made directly are not tax deductible). The following section explores the financial impacts of tax regulations, and discusses ways to help corporations increase charitable giving budgets at little to no additional cost to the company.

Understanding the Regulations on Corporate Giving: A Model

For the analysis that follows, corporate gifts are classified according to whether they are given directly to charity or through the corporate foundation. Additionally, expenditures on contributions to charity are somewhat like advertising; the model treats them as a capital investment. The effect of contributions on present conditions of the firm depends upon its past history of contributions, the long-run productivity of the effects of donations, and the rate at which its capital investment from charitable contributions declines (Friedman, 1983). Contributions are assumed to improve the firm's image in the eyes of potential and current customers, as well as employees of the firm, and may make both groups more likely to buy the firm's products or want to work for the company. Contributions may also increase the likelihood that creditors and regulators make decisions in the interest of the corporation's business operations. Additionally, some corporate giving, such as support for youth service or literacy, improves both corporate image and the quality of the labor force. By making these assumptions, the analysis takes into account philanthropic, or enlightened self-interest motives for giving, as well as profit-oriented motives.

How do corporate gifts affect profits for a firm? Suppose that firms choose output (sales levels), as well as the amount of contributions expenditures needed to maintain the firm's image or goodwill level. Under these assumptions, financial considerations for the direct giving program are fairly straightforward. The cost of

the giving program, excepting administrative costs, is the amount of deductible gifts, offset by three elements: (1) the deduction for charitable giving (the complement of the corporate marginal tax rate), (2) long-term productivity of the firm, as evidenced by increased sales or some other financial reward for making donations (as seen when some contributions substitute for advertising), and (3) after-tax earnings on funds set aside to be used for charitable purposes. A nonmathematical representation of firm profits is:

$$\textit{Profits} = \textit{Sales} - \textit{Expenses}$$

where the effects of giving on firm profits may be represented:

$$\textit{Profits} = \textit{Sales} - \textit{Expenses} - \textit{Cost of donations} + \textit{offsets}$$

The offsets include:

$$\begin{aligned} \textit{Offsets} = & \textit{Tax deductions} + \textit{Sales increases ("advertising effects")} \\ & + \textit{returns on investments} \end{aligned}$$

The corporation may also affect its cost of giving, and thus its profits, by giving through a corporate foundation. The cost of the giving program, again ignoring administrative costs, is the amount of gifts made to the foundation, offset by: (1) after-tax earnings on foundation assets, (2) gains from goodwill or image considerations (social character), (3) gains from asset sales (a relative gain, from returns on the sale net of capital gains taxes), and (4) gains from overseas deductions (a relative gain, compared with the cost of making non-tax deductible gifts outside the U.S.). The firm's profits, considering the effects of a corporate foundation are:

$$\textit{Profits} = \textit{Sales} - \textit{Expenses} - \textit{Cost of donations} + \textit{offsets}$$

where the offsets include:

$$\begin{aligned} \textit{Offsets} = & \textit{Tax deductions} + \textit{Sales increases ("advertising effects")} \\ & + \textit{returns on investments} + \textit{net capital gains savings from sales} \\ & \textit{of assets} + \textit{net tax savings on overseas donations} \end{aligned}$$

When administrative costs are included, the costs of each type of giving program will change.

What can be determined by comparing foundation and direct giving? By thinking about the choice of methods for giving over two time periods (of relatively short duration, say one to two years), and corresponding regulations affecting donations, the effects of changes in corporate and foundation tax rates may be predicted. Examination of more than one period allows comparison of giving behavior under different tax scenarios. In addition, the effects of making contributions in the current period versus future periods may be analyzed.

Relationships Among Giving, Goodwill, and Sales

The amount of giving should positively affect the firm's reputation or goodwill, and likely increases demand and lowers production costs. If giving enhances the firm's image, one expects an increase in current giving to increase sales. Because the effects of giving may last into the next period in time (due to the longer-term "advertising" effects of gifts and the depreciation of these effects over time), current giving affects future profits. The relationships between sales (or production) and charitable giving provide substantive links between what academics and practitioners know to be true, and what theory predicts: direct and foundation giving in one period are positively related to current and future sales. Additionally, direct and foundation giving in the future period are positively related to future output (sales).

Effects of Changes in Corporate Tax Rates on Charitable Giving

Suppose the corporate marginal tax rates increase. If the tax rate is expected to fall temporarily, one expects firms to donate more under the higher tax rate to take advantage of the lower cost of giving (the complement of the marginal tax rate). (*The Chronicle of Philanthropy*, Nov. 1, 1995, that suggests corporations did rush to take advantage of changing tax situations.) Similarly, if a jump in the tax rate is expected in a future period, corporations may put off making donations until the deduction increases. That is, if next year's tax rate is expected to rise, firms wait until next year to take advantage of the lower cost of giving. If corporate tax rate changes

are seen as permanent, changes in the amounts of donations may vary around the year of the change, but are not likely to change significantly over time due to the tax rate changes. Empirical evidence suggests that the amounts of donations do not change over time due to tax rate changes, even if they change around the time of a tax change (Clotfelter, 1985).

Current direct giving is affected by foundation tax rates only if the rates tend to make the use of the corporate foundation less desirable. It is unlikely that changes in the foundation tax rate significantly affect the total amount given; however, it may affect the choice of vehicle (foundation or direct giving program) used to make the donation. Table 1: Effects of Changes in Tax Rates, Sales (Output), and Nondeductible Giving on Gifts, shows the comparative static results for the variables discussed in this section.

Effects of Changes in Deductibility of Gifts on Charitable Giving

The example of AT&T and the creation of the AT&T Foundation shows how tax laws provide very attractive means for funding the charitable giving program with company product or property. Gifts of such assets, when sold or used by the recipient, result in a higher net return than if the assets were sold or used by the corporation; both the exemption from paying capital gains on the return from the sale, and the lower foundation tax rate affect the value of the gift. Suppose that Congress rescinds the capital gains exemption. It is likely that firms will not fund giving programs by donating company product or property. Such property or product does not bring the foundation any more donative power than if the corporation sold the property and donated the return (after capital gains taxes) to the foundation. The exemption from capital gains taxes is a plum opportunity for executives wishing to dispose of property and fund a charitable giving program at the same time. Recognizing this option benefits social service nonprofits, too, if it is used to encourage larger corporate donations.

Multinational firms face a different type of problem in making donations. U.S. tax law does not permit deduction of gifts made to charities outside the U.S. (unless the funds are through an organized private foundation within the U.S.). A possible remedy for firms wishing to donate to nonprofit organizations operating overseas is

TABLE 1. Effects of Changes in Tax Rates, Sales, and Nondeductible Giving on Gifts

A positive change in:	Affects direct giving		Affects found. giving	
	period 1:	period 2:	period 1:	period 2:
Corp tax period 1	+	0	?	0
Corp tax period 2	-	0	-	?
Fnd tax period 1	0	0	-	0
Fnd tax period 2	0	0	0	-
Sales period 1	+	0	+	0
Sales period 2	+	+	+	?
overseas gifts	0	0	+	?
capital gains	0	0	+	?

(This model assumes that sales and output (production) are equal in a time period. That is, no inventory accumulates.)

to give the money to the corporate foundation. The firm may reap the benefits of the deduction (because the donation is made in the U.S.) and the foundation may give the money directly to the overseas charity.

Finally, deductibility of certain types of gifts alters the amount and types of donations made. As noted, up to 10% of a firm's annual taxable income may be donated and deducted. This limitation rarely matters: extremely few firms come close to donating 10%. What does matter is the limitation of deductibility at production cost for most gifts of company product. This policy does not encourage donation of some desirable types of gifts (school textbooks, for example). Gifts made to enhance specific technology or to assist infants, the infirm, or the needy, are deductible at a cost between production cost and sales value. Social service organizations may seek out gifts that have higher deductibility, or may lobby to change the tax code to allow higher deductions for other gifts in order to promote additional donations of company products.

Effects of Changes in Foundation Regulations on Giving

By examining the regulations on foundations, predictions about giving behavior may also be made. First, foundation giving in the first period is negatively related to an increase in the foundation tax rate. This is as expected because an increase in the foundation tax rate increases the cost to the firm of giving through the foundation. Sales in both periods are positively related to foundation giving, likely reflecting the firm's ability to give and its higher taxable income.

Gifts that result in capital gains savings, or tax savings from gifts made to overseas charities, are positively related to foundation giving. This makes intuitive sense, because the greater the advantages of making these types of gifts, the more likely it is that foundation giving rises, both in terms of gifts made from the corporation and those made by the foundation to charities. An increase in the current corporate tax rate has an uncertain effect on current foundation giving. However, an increase in the future corporate tax rate has a negative effect on current foundation giving, reflecting the fact that some gifts from the corporation to the foundation will be delayed until the future when the value of the tax deduction increases.

Effects on foundation giving in the second period are generally ambiguous. Primarily because the second period is the terminal period in this simple model, it is unclear whether a firm continues to be affected by changes in tax rates, output, and type of giving. The only defensible notion is that the foundation tax rate in the second period and second period foundation giving are inversely related. This is, again, as expected because an increase in the foundation tax rate increases the cost to the corporation of giving through the foundation.

Modeling Reality

The biggest challenge to the modeling process is incorporating the fact that not all donations “pass through” the foundation; that is, some of the donations made to the corporate foundation do not go directly out to charities. A foundation may be endowed and may not be dependent upon the original sponsor for current and future funding. Smith (in conversation, July 1992) suggests that over 90 percent of all corporate foundations are dependent upon the parent corporation for financial support. Thus, the implications of the model presented here hold for many corporations. Incorporating a variable to account for those donations that do not “pass through” the foundation would complicate the model.

Another simplification, overseas donations made to overseas organizations, should be included. (Although they are not deductible, it is likely that some firms make them.) Implementation of this fact may require an additional cost variable, or at least some measure capturing how gifts are made in other ways (through advertising or other business expenditures). Similarly, in the event that the corporation gives assets to the foundation that are not sold, the cash value of the assets and the return on the assets complicate the foundation’s earnings. Additionally, because corporate foundations rarely cease to exist, the model would be more realistic if developed for an infinite time horizon. However, the mathematics of these additions are challenging, and may add little to the practical knowledge gained by examining this simple model.

Observational evidence suggests that costs direct and foundation giving programs may vary; however, experts in corporate giving suggest that costs of maintaining either type of program do not

differ, largely because the functions and decisions performed are very similar (Smith, no date). It is possible that additional staff, tax and legal requirements, and other concerns cause the administrative costs of foundations to be higher than that of direct corporate giving programs. Inclusion of separate administrative costs would further complicate the model.

Finally, a foundation's relationship to its sponsoring company may be such that the foundation manager has significant influence with the CEO or corporate board members. Thus, some giving may be done in a way that is not cost-effective. The model assumes cost-effectiveness; relaxing this assumption to include decisions that are not cost-effective would drastically alter the model.

IMPLICATIONS OF THE TAX CODE

The examples illustrate that the financial aspects of giving play a large role in determining corporate executives' choice to use direct or foundation giving programs for various types of gifts. The analysis implies that altering corporate and foundation tax rates may change the timing, and to some degree, the means for corporate giving. As in previous models, firms take advantage of the effective government subsidy on contributions. The firm's cost of making a dollar of contributions is the complement of the marginal tax rate; the government contributes the marginal tax rate for each dollar the firm donates. Tax deductibility rules on overseas giving, the limit on direct giving (10% of taxable income), and foundation exemption from capital gains taxes on the sales of donated company assets, play principal roles in the choices executives make about how to best fund corporate giving programs. In addition, foundation assets and the regulations on foundation earnings and payouts affect executives' choices about foundation giving.

The model suggests many empirical tests for future investigation. Among them are examinations of overseas giving, in-kind giving, and capital gains exemptions on donations of assets to the corporate foundation. Tax rates affect the ability of a firm with a foundation to maintain corporate goodwill and a consistent level of giving (smooth giving). Studies of direct giving and gifts made to the corporate foundation, and their responses to changes in tax rates

would likely shed light on the hypothesis that firm image really matters in a corporate giving program. The ability to give more to the corporate foundation during periods when taxable income is high is also reflected in this model, and could be tested with firm-specific data on foundation and direct giving.

The issue of non-cash donations is more complicated than presented in this article. The current tax code discourages some in-kind, or product, gifts by allowing higher tax deductions for gifts made to help the infirm, infants, the elderly, and certain gifts to advance education and develop technology. (These gifts are deductible above the firm's cost to manufacture the products.) If policy-makers want to encourage or discourage certain gifts, deductibility rules on certain products or industries should be implemented. The model must be changed to examine the types of gifts firms make, and the deductibility rules regarding specific types of gifts. For example, one expects firms such as IBM to make a substantial amount of donations in-kind, that is, in computer and other office equipment. Firms in service industries more likely donate cash. A parameter indicating industry or production type, and deductibility "status" might reveal empirical reasons for types of donations made.

Other, more general questions offer additional research opportunities for interested scholars. For example, do corporate executives consciously make "rational" decisions about the method of making gifts? Instead, do the tax accountants of the corporation make the decisions once the amount and type of gift to be donated has been determined? Can an economics model accurately describe the process of corporate giving? What else can be learned from the theoretical consequences of the model? How do new firms, or multinational firms locating in the U.S. react to the U.S. tax consequences of corporate giving?

Research into the financial aspects of corporate giving is just beginning. This model suggests theoretical motivations for making certain types of gifts in certain ways, and has implications for other types of giving. Private foundations, organizations, and individuals in the U.S. are all affected by U.S. tax treatment, and other financial considerations of giving to charity. Other countries' tax codes, as well as tradition, culture, business organization, and political considerations, also have implications for the structure of giving and

the means by which some welfare services are provided. As data become more available, and more researchers examine the provision of welfare services, many useful and interesting aspects of charitable activity will no doubt be revealed. The model and analysis of this study provide a step forward in the research on charitable giving: it specifies financial aspects of corporate direct and foundation giving in the U.S. at the present time.

SUMMARY

The study presents a new model of corporate giving and provides examination of the financial implications of foundation and direct corporate donations. The model provides theoretical motivations for making certain types of gifts in certain ways. Tax deductibility of some types of gifts, variability between corporate and foundation tax rates, amounts of gifts made overseas, and capital gains allowances for the foundation all play a role in determining how gifts are made.

How can social service providers use the information presented in this paper? First, the success of fund-raising in the social services depends on acquiring new skills with which to manage fund-raising programs. Social workers can benefit by understanding the increasingly competitive and business-oriented environment in which funds are solicited. They can combine their knowledge about strategic corporate decisions to raise funds more effectively. Social workers and social service fund-raisers must develop strategies to educate corporate executives (and the public) about how health and human services organizations tie in with business concerns, and how donations positively affect the success of business. Primary factors social workers can address are corporate concerns with improving relations with the community, the general public, and employees (Marx, 1994).

Second, social workers can also be strategic in approaching foundation and corporate executives by carefully examining the differences in giving programs. Corporate foundations generally publish guidelines for applying for grants. Careful examination of foundation and direct giving guidelines, and understanding the dif-

ferences in motivations and tax effects of donations can help in approaching grantmakers in better ways.

Third, all nonprofit practitioners must keep current with knowledge about upcoming changes in tax legislation and other funding changes caused by business cycle, economic, or other fluctuations. When necessary, social service organizations can fight for higher tax deductibility for certain types of gifts, or oppose pending legislation that might discourage a corporation from making donations to the social service agency. Practitioners can also be aware of the effect of private donations on government funding (Steinberg, 1990). These and other trends may prove important to the long-term success of a social service provider.

In sum, as the number of worthwhile nonprofit activities rises (along with their respective funding requirements), practitioners and academics must feel compelled to understand the intricacies of corporate giving. To understand and promote giving requires the understanding of the advantages of making certain gifts, or types of gifts, in certain ways.

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