Donors to Social Welfare Organizations: Are they avoiding gift tax?

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**Introduction:**
- Social Welfare Organizations: Internal Revenue Code section 501(c)(4)s, must not be operated for profit and must be operated exclusively to promote social welfare.
- Gift Tax: A federal tax on the transfer of property from one person to another with less than fair value in return. Gifts are subject to tax after a $14,000 annual exclusion amount.

**Donor Implications of Current Gift Tax Regulation:**
- Charities: Section 501(c)(3): no gift tax, can deduct contributions on income taxes.
- Political Organizations: Section 527: no gift tax, no benefit in deductions on income taxes.
- Social Welfare Organizations: no clear tax implications, ambiguous IRS regulations.

**Objectives:**
- To analyze how donors’ view alignment impacts contribution willingness.
- To detect a statistically significant difference in donors’ willingness to contribute when taxed vs. not taxed.

**Methods:**
- 108 subjects were surveyed, 54 subject to gift tax (S1) and 54 excluded from it (S2).
- Subjects rated their alignment with given 501(c)(4)s in Montana and willingness to contribute above the $14,000 exclusion amount.
- T-Tests between donor alignment and contribution willingness were conducted.
- T-Tests were conducted to determine difference between S1 and S2 donor contribution willingness.

**Results:**
- View Alignment P-Values:
  - If Taxed- Aligned vs. Not Aligned: p = 0.107
  - If Not Taxed- Aligned vs. Not Aligned: p < 0.001
  - If Aligned- Taxed vs. Not Taxed: p < 0.001
- Contribution Willingness P-Values: Taxed vs. Not Taxed:
  - Montana Rifle & Pistol: p < 0.001
  - Fed of State Conservation: p < 0.001
  - Lions Club: p < 0.01

**Conclusions:**
- If donors are taxed, view alignment does not significantly impact contribution willingness.
- If donors are not taxed, view alignment does significantly impacts contribution willingness.
- If donors’ views align, tax treatment significantly impacts contribution willingness.
- If donors’ contributions are subject to gift tax, donors are less likely to contribute.

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**Literature Cited:**