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

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# 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:

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