

DO ESTATE TAX RATES REALLY AFFECT CHARITABLE BEQUESTS? A REGRESSION MODEL ANALYSIS OF ESTATE DISTRIBUTIONS

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Abstract

The United States federal estate tax, in a variant of its current form, has been in effect for almost a century, and the charitable bequest deduction has been allowed since the enactment of the tax. Although there has been much discussion of what effect repeal of the estate tax may have on charitable bequests, the evidence for the suggested effects is conflicting. Proponents of the estate tax state that charitable organizations will experience a significant reduction in bequests if the estate tax is eliminated; however, there appears to be a lack of consensus on this possible effect of changing estate tax rates. Previous research has provided mixed and conflicting evidence regarding the effect of changes in estate tax rates on charitable bequests. The purpose of this quantitative study was to identify and analyze the relationship, if any, between changes in estate tax rates, age, gender, marital status, number of heirs, and wealth and the dollar amount of charitable bequests. The study was conducted using an ex post facto multiple regression/correlational design to analyze the probate court records data of 169 estates of decedents from three Michigan counties who died from 2000 to 2010. Supplemental analysis was conducted using one-way ANOVA and chi square analysis. The findings of the study indicated estate tax rates and the decedent's wealth were positively correlated with the dollar amount of charitable bequests, whereas the number of heirs was negatively correlated with the dollar amount of charitable bequests. No significant relationship was identified between the decedent's age, gender, or marital status and the dollar amount of charitable bequests. Supplemental analysis found gender and the existence of heirs to be significantly related to the decision to leave a charitable bequest, with women and those without heirs more likely to leave a bequest. Because the variables in this study explained only a small portion of the variation in the dollar amount of charitable bequests, further research is recommended to determine other factors that may explain why individuals leave charitable bequests and how they determine the amount of those bequests.

Keywords: estate tax, charitable bequests, tax policy, charitable giving.
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