

SEARCH THE SITE

SITE MAP

SECTIONS:

- [Front Page](#)
- [Gifts & Grants](#)
- [Fund Raising](#)
- [Managing Nonprofit Groups](#)
- [Technology](#)
- [Jobs](#)

FEATURES:

- [Guide to Grants](#)
- [Ideas & Resources](#)
- [The Nonprofit Handbook](#)
- [Facts & Figures](#)
- [Events](#)
- [Deadlines](#)
- [Directory of Services](#)
- [Consultants Guide](#)
- [Continuing-Education Guide](#)
- [Direct-Marketing Guide](#)
- [Fund-Raising Services Guide](#)
- [Technology Guide](#)

CHRONICLE IN PRINT:

- [Current Issue](#)
- [Back Issues](#)

SERVICES:

- [About The Chronicle](#)
- [How to Contact Us](#)
- [How to Subscribe](#)
- [How to Register](#)
- [Subscriber Services](#)
- [Change Your User Name](#)
- [Change Your Password](#)
- [Forgot Your Password?](#)
- [How to Advertise](#)
- [Press Inquiries](#)
- [Feedback](#)
- [Privacy Policy](#)
- [Help](#)

TAX WATCH

Economists Examine New Way to Promote Giving

By Elizabeth Schwinn

Donors might significantly increase their gifts to charity if the federal government directly matched a part of their donations rather than allowing them to take charitable-tax deductions, two economists, Catherine C. Eckel of Virginia Tech and Philip J. Grossman of St. Cloud State University, say in a report.

In an example, the economists note that a person who donates \$1 to charity and pays 20 percent of his income in taxes will, after itemizing the contribution on his tax return, "save" 20 cents in taxes. In other words, the person has essentially given 80 cents to the charity, and the government has indirectly provided 20 cents.

Ms. Eckel and Mr. Grossman say their research shows that people might make different decisions if the government eliminated the charitable-tax deduction in favor of a "matching subsidy system." In such a system, a donor who wants a charity to receive a total of \$1 might give the organization 80 cents directly, while the government would provide the group with 20 cents.

But a donor offered that option might decide to contribute more than 80 cents so the government would provide more, the economists say.

Ms. Eckel and Mr. Grossman conducted several experiments to determine whether charitable giving is stimulated more by "rebates," in which a portion of the gift is returned to a donor by a third party (similar to an income-tax deduction), or by matching subsidies, in which a third party gives money to a charity in an amount that depends on the size of the donor's gift. In one case, the researchers offered rebates or matching gifts to contributors to Minnesota Public Radio. Donors who were told their gifts would be matched were more likely to give to the radio network than those who were offered a rebate, the researchers found.

A subsidy system would be easy to administer, the economists say, because the government would only need to learn from a charity how much it received in contributions in order to provide the subsidy.

For copies of the report, which was supported by grants from the Aspen Institute and the National Science Foundation, contact Mr. Grossman at pgrossman@stcloudstate.edu or at (320) 308-4232.