

# SPECIAL REPORT

activity is very likely a direct result of the considerably larger subscriber base and is eloquent testimony to these theatres' ability to serve their communities as broader cultural resources, involving a growing number of people outside the performance situation.

Much of the dramatic improvement in individual giving over the past three seasons coincides with changes in federal tax laws passed in 1981. The Charitable Contributions Law, part of the Economic Recovery Act of 1981, acts as a giving incentive by allowing taxpayers to deduct their charitable donations whether or not they itemize deductions on their federal tax returns. According to the legislation, which has been implemented in phases, each taxpayer was limited to a deduction of \$75 in 1984. The allowable deduction is scheduled to increase to the full value of such contributions in 1986. However, before that time, the law may fall victim either to the Administration's new tax proposal, which calls for its repeal, or to a "sunset" provision in the original legislation which automatically eliminates the deduction at the end of 1986 unless the legislation is made permanent by Congress.

Other Administration proposals may adversely impact charitable giving by individuals as well; the Treasury Department proposal includes limiting deductions for charitable contributions to amounts exceeding 2 percent of the taxpayer's adjusted gross income (the current national average is less than 2 percent), as well as eliminating deductions for gifts of appreciated property. Aspects of the Treasury Department proposal which could enhance giving by some individuals include the repeal of the current charitable contribution limit of 50 percent of adjusted gross income, as well as ending the

current 10 percent corporate charitable contributions ceiling, which could increase gifts by smaller family-held businesses. The relatively minimal impact of these provisions, however, is not expected to counteract the larger losses.

The impact of the combined Treasury proposals—according to experts—could reduce all forms of charitable giving to arts organizations in the United States by as much as 25 percent per year. Increases in gifts from individuals in the future may therefore depend directly on the pending tax reform issues before Congress.

## Corporations

The dynamic growth of corporate and business support is the single most important new development for the nonprofit theatre since the rise of federal support following the establishment of the National Endowment for the Arts in the mid-1960s. Corporate giving leapt to second place among the most important sources of contributions in 1984—up from fourth place in 1983. The 24 percent increase in total corporate giving to the 37 Sample theatres during 1984 continues the accelerated growth trend in corporate giving to these theatres since 1980.

The number of gifts from corporations and local businesses to these theatres more than doubled during 1984—to a five-year high of 4,357—as a successful telephone campaign by one Sample theatre produced 1,185 new gifts averaging \$155 from area businesses. Largely as a result of this one effort (which is a keen example of the increased efforts required by administrative staffs to secure a larger number of smaller gifts) the average amount per corporate gift dropped to \$1,222, a notable decline from the \$1,512 average a year earlier. Although nearly 4,400 such gifts were made to these theatres in 1984, fewer than 10 percent were for \$2,500 or more.

While corporate gifts to these 37 theatres outnumbered foundation gifts nearly ten to one, the average corporate gift in 1984 was still only one-eighth the size of the average foundation grant.

The expansion of administrative staffs over the past five years has enabled these theatres to create sophisticated and efficient development mechanisms to secure new and increased contributions, particularly in the individual and corporate categories. The early success of these efforts suggests there is room for further growth in both areas, although such growth would be strongly influenced by any changes in federal tax laws and the nation's economy.

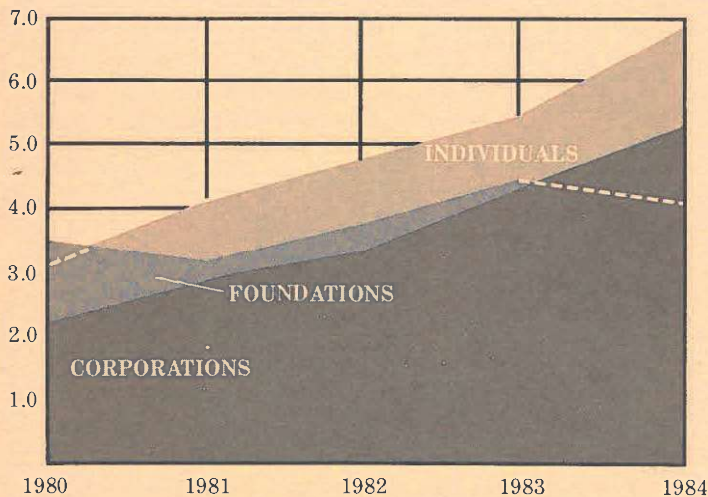
While most corporate funding programs are conducted on a local rather than national basis, the Atlantic Richfield Foundation, the Dayton Hudson Foundation and Exxon Corporation led nationwide funding to Sample theatres during 1984. Major gifts of \$100,000 or more were also reported by several theatres from locally based corporations, including Humana, Inc. and Beatrice Foods Company.

## Foundations

Alarming, foundation giving to the 37 Sample theatres fell by nearly 7 percent during 1984, covering less than 4 percent of all expenses. Gifts in this category dropped from second to fifth place as a source of contributed

## COMPARISON: PRIVATE SUPPORT

In million \$



Percent Change	80-81	81-82	82-83	83-84
Corporations	27.0	17.5	27.5	24.2
Foundations	- 8.0	16.2	17.0	- 6.9
Individuals	27.5	14.7	14.8	27.4