

similar situation obtains between the tax exempt Journal of the American Medical Association which last year had \$10-1/2 million of advertising revenue and the tax paying Medical Economics and Medical World News. Thus, in large part due to its tax exempt status, the National Geographic is able to offer lower advertising rates than its competitors Holiday and Venture. Time Magazine, October 7, 1966, p. 64.

Advantages accrue to both the foundation and the donor:

1. The foundation pays no Federal income tax.
2. The donor neither pays gift tax nor estate tax on contributions to the foundation.
3. For income tax purposes, an individual donor is granted a deduction up to 30 percent of his net income; a corporate donor is allowed to deduct up to 5 percent.
4. The donor's contributions constitute capital to the foundation - not income -- so they need not be distributed. --Patman Report, Page 15-16.(1962)

C. Miscellaneous Benefits of Exempt Operation

C-1 Favorable Postage Rate.

Non-profit organizations often are eligible for reduction in postage rates. Eligibility may depend upon the type of organization, and the class and content of the material to be mailed. Reductions are available in 3rd and second class mailings. Specific details may be obtained from your postmaster.

C-2 May be exempt from certain state taxes, e.g., sales and realty taxes.

A foundation's exemption from the state taxes depends on the various state laws, but as a general rule will follow the results of a Treasury Department determination of your exemption from federal taxes.

It is often the case that an exempt organization will voluntarily pay an amount in lieu of taxes to cover the benefits it receives from police and fire protection. This not only seems a just arrangement to foundation managers, but also may cause the local taxing authorities to be more co-operative in recognizing a property tax exemption.