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National Analysis of Federal Excise Tax on Capital Gains

Prepared For:

Council of Michigan
Foundations

September 12, 2008

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ANALYSIS OF FEDERAL EXCISE TAX ON CAPITAL GAINS

Prepared For:

COUNCIL OF MICHIGAN FOUNDATIONS

Conclusion

Currently, most private foundations pay a tax on net investment income, which is commonly referred to as an excise tax. The tax is 2% of net investment income unless certain factors permit a reduction to 1%. We have been asked to calculate the unified or “flat tax” rate that would be revenue neutral to the Treasury. **Based on an analysis of the most recent five year period for which substantive data is available (2000 – 2004), we have concluded that the revenue neutral percentage is 1.32%.**

Methodology

The following exhibits summarize in graphical or tabular form information taken from the online postings of the Internal Revenue Service’s Statistics of Income Division (“SOI”). SOI publishes (with a multi-year lag) information taken from the Form 990 returns on all foundations. We have, in turn, used this information to make a series of basic calculations as they pertain to the excise tax.

Analysis Derived from IRS Statistical Sample of Return Data

The information presented here is based on the five years ending with fiscal year 2004, which is the last year currently available to the public in online form. We should note that while the SOI data attempts to represent the aggregate effects of the excise tax (and other 990 line items), it is not derived from simply adding the numbers found on more than 50,000 returns. Rather, the SOI has stratified the foundation universe by size and, using generally accepted statistical methodology, has derived data for the universe based on the sample. We have, in turn, taken the SOI’s results as presented and done additional analysis based on their statistical samples.

Non-Operating Foundations are the Primary Source of Excise Tax Revenue

Additionally, we based our analysis on the non-operating segment of the SOI private foundations data files. A small number of private operating foundations are considered exempt organizations under the Internal Revenue Code and are not subject to the tax on net investment income. Since the operating foundation segment of the IRS data includes both exempt and non-exempt operating foundations, any analysis of aggregate excise tax receipts that includes operating foundations would skew the results. Non-operating foundations (the data for which is the subject of this study) represent approximately 90% of all foundations numerically, and an even greater percentage of excise tax receipts.

ANALYSIS OF FEDERAL EXCISE TAX ON CAPITAL GAINS*Prepared For:***COUNCIL OF MICHIGAN FOUNDATIONS (continued)**

For the sake of completeness, we have shown the data for operating and non-operating foundations in Exhibits 6 through 10. In addition to segmenting the Form 990 data into operating and non-operating foundations, SOI also segments out grant making and Non-grant making categories, although the grant making function has no impact on the excise tax calculation. Nonetheless, data from these segments can be found in Exhibits 6 through 10 as well.

EXHIBIT 1

This chart calculates a “revenue neutral” excise tax rate for tax years 2000 through 2004, as well as a five-year average, for all non-operating foundations.

While the *amount* of revenue generated from the excise tax was highly variable over these five years (see exhibit 2), the *effective rate* of the tax was far less so.

- The effective tax rates for years 2000, 2002, and 2003 were at or near the five year average rate of 1.32%. The rate was significantly lower in 2001 and correspondingly higher in 2004. In both years, the behavior of the largest tier of foundations influenced the average for all foundations.
- While there are differences from year to year, in general the excise tax is somewhat recessive, with smaller foundations more frequently paying higher effective rates than larger foundations, and the largest foundations typically paying the lowest effective rate.

The numbers here were derived by dividing the aggregate tax paid by the amount of aggregate net investment income.

EXHIBIT 1
COUNCIL OF MICHIGAN FOUNDATIONS
NONOPERATING FOUNDATIONS

Excise Tax Paid (As % of Net Investment Income)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Five Year Average</u>
Total Nonoperating By Size:	1.32%	1.21%	1.35%	1.32%	1.41%	1.32%
Zero or unreported	0.00%	0.00%	1.00%	1.00%	1.64%	1.21%
\$1 to \$99,999	1.52%	1.52%	1.25%	1.53%	1.13%	1.39%
\$100,000 to \$999,999	1.51%	1.42%	1.69%	1.51%	1.53%	1.53%
\$1,000,000 to 9,999,999	1.44%	1.34%	1.44%	1.44%	1.50%	1.43%
\$10,000,000 to 24,999,999	1.41%	1.35%	1.34%	1.47%	1.51%	1.42%
\$25,000,000 to 49,999,999	1.39%	1.32%	1.31%	1.40%	1.43%	1.37%
\$50,000,000 to 99,999,999	1.36%	1.28%	1.28%	1.31%	1.46%	1.34%
\$100,000,000 or more	1.26%	1.12%	1.31%	1.25%	1.37%	1.26%

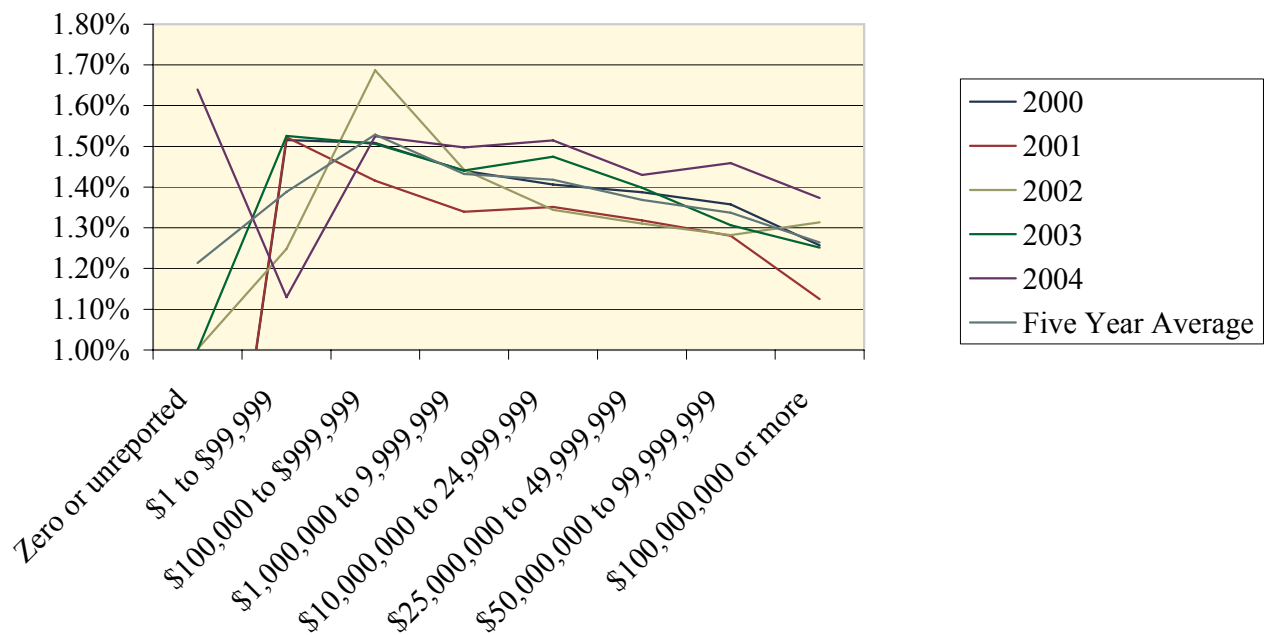


EXHIBIT 2

This chart summarizes the revenue generated by the excise tax from non-operating foundations in the five years under analysis as well as the average amount of revenue for the 5-year period. The SOI breaks down the data based on the size stratifications shown.

- Revenue generated by the excise tax is highly variable over time, notwithstanding the fact that the effective rate was relatively stable over the same period (as shown in Exhibit 1.)

- Level of revenue generated tends to follow the economic and business cycle, with a peak in revenue in 2000 followed by a sharp decline, and then a gradual rebuilding with the return of more favorable market conditions in 2003 and 2004.

- A comparison of Exhibits 1 and 2 would indicate that the absolute level of revenue generated by the excise tax is more sensitive to the market cycle than it is to the effective rate of the excise tax. Indeed, in year 2002 the absolute level of revenue *declined* even though the effective rate of the excise tax *increased*. (Compare total non-operating foundation results for 2001 and 2002 on Exhibits 1 and 2.)

EXHIBIT 2
COUNCIL OF MICHIGAN FOUNDATIONS
NONOPERATING FOUNDATIONS

Revenue Generated from Excise Tax (In Thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Five Year</u> <u>Average</u>
Total Nonoperating By Size:	601,196	297,100	224,698	316,484	456,435	379,183
Zero or Unreported	2	---	33	161	3	50
\$1 to \$99,999	639	171	459	1,018	875	632
\$100,000 to \$999,999	13,438	11,522	12,641	7,810	9,407	10,964
\$1,000,000 to 9,999,999	82,213	47,988	33,787	41,937	52,350	51,655
\$10,000,000 to 24,999,999	51,810	28,729	22,727	32,597	42,392	35,651
\$25,000,000 to 49,999,999	55,733	26,243	18,057	26,652	39,865	33,310
\$50,000,000 to 99,999,999	51,541	24,358	18,754	26,441	41,812	32,581
\$100,000,000 or More	345,821	158,089	118,241	179,868	269,731	214,350

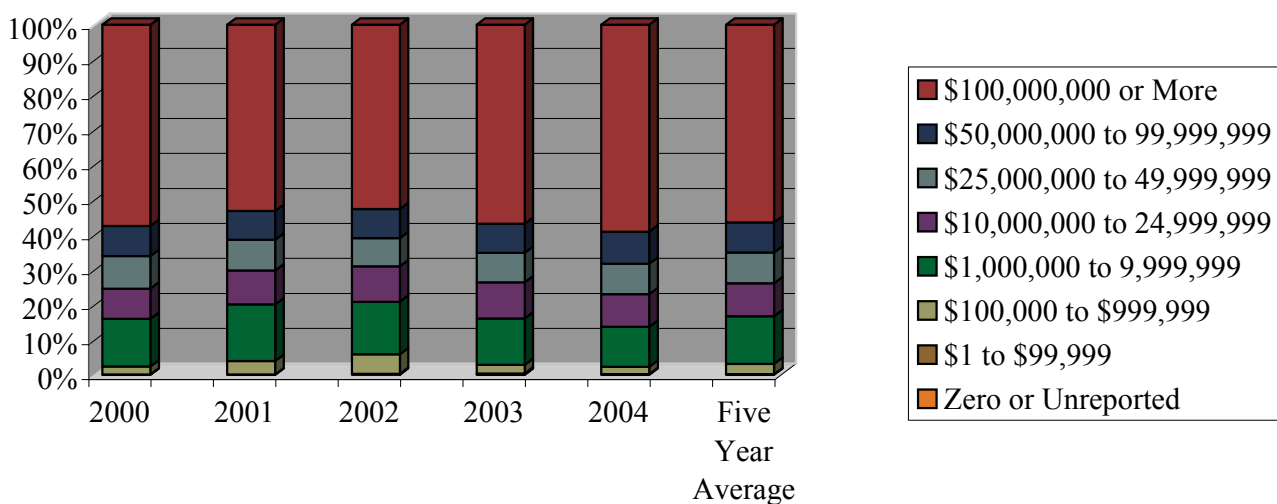


EXHIBIT 3

- Foundations with assets of \$100 million or more consistently represent 50 to 60% of all revenue from the excise tax.
- Foundations with assets under \$10 million represent a significant portion of aggregate receipts due to the large number of foundations in that size category (Exhibit 4) and the generally higher effective tax rate (Exhibit 1).

**EXHIBIT 3
COUNCIL OF MICHIGAN FOUNDATIONS
NONOPERATING FOUNDATIONS**

Distribution of Revenue Generated from Excise Tax

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Five Year Average</u>
Total Nonoperating By Size:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Zero or unreported	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
\$1 to \$99,999	0.1%	0.1%	0.2%	0.3%	0.2%	0.2%
\$100,000 to \$999,999	2.2%	3.9%	5.6%	2.5%	2.1%	3.3%
\$1,000,000 to 9,999,999	13.7%	16.2%	15.0%	13.3%	11.5%	13.9%
\$10,000,000 to 24,999,999	8.6%	9.7%	10.1%	10.3%	9.3%	9.6%
\$25,000,000 to 49,999,999	9.3%	8.8%	8.0%	8.4%	8.7%	8.7%
\$50,000,000 to 99,999,999	8.6%	8.2%	8.3%	8.4%	9.2%	8.5%
\$100,000,000 or more	57.5%	53.2%	52.6%	56.8%	59.1%	55.9%

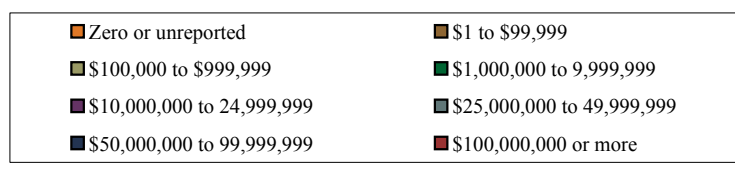
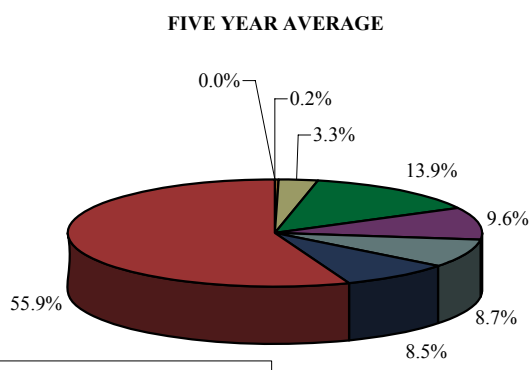
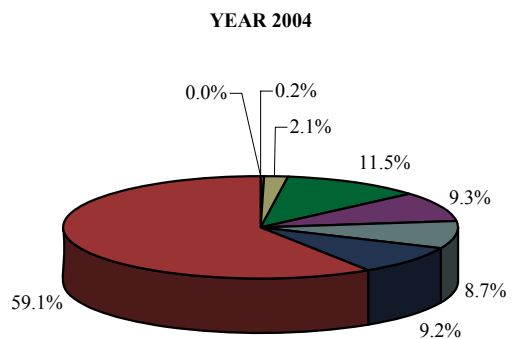
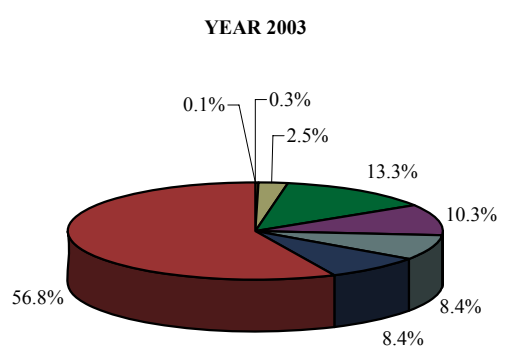
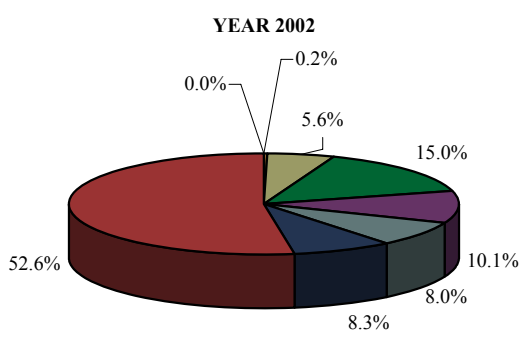
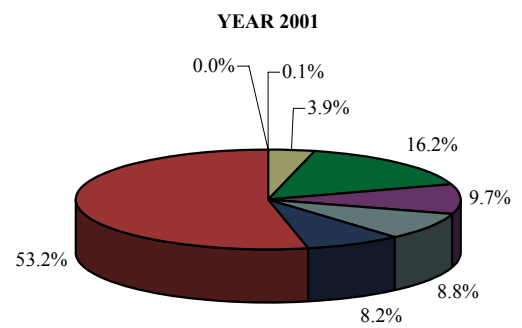
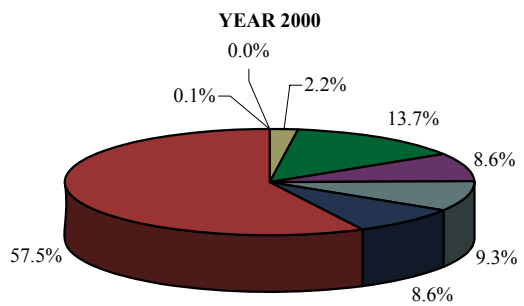


EXHIBIT 4

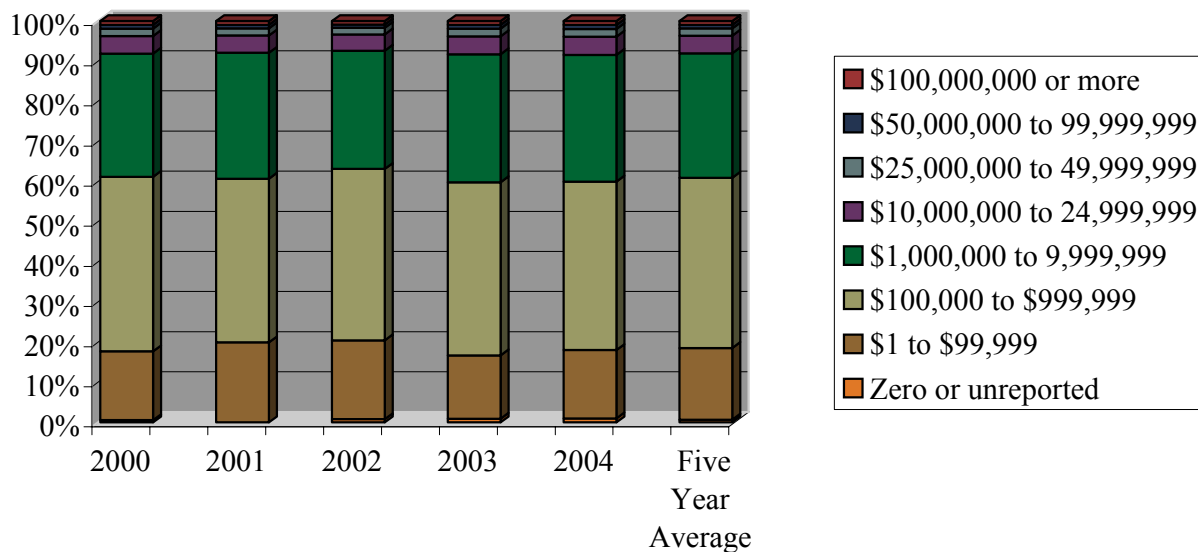
This exhibit shows the number of non-operating foundations that paid the excise tax in the year indicated. This is usually a number slightly less than that shown by SOI for all non-operating foundations filing a Form 990, indicating that there are a small number of foundations each year which do not generate net investment income taxable under the excise tax rules.

- It is instructive to compare the number of returns filed by foundations with assets of less than \$10 million (typically more than 90% of all returns filed) with the modest amount of revenue (Exhibit 2) derived from this same group.
- This raises the question of whether the resources allocated by both the foundation community in preparing these filings and paying the tax, and by the Service in processing these returns, could be employed to other (more productive) efforts.

EXHIBIT 4
COUNCIL OF MICHIGAN FOUNDATIONS
NONOPERATING FOUNDATIONS

Number of Returns Filed

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Five Year Average</u>
Total Nonoperating By Size:	52,341	51,414	52,440	53,602	57,815	53,522
Zero or unreported	299	---	427	497	596	364
\$1 to \$99,999	8,971	10,253	10,291	8,456	9,830	9,560
\$100,000 to \$999,999	22,763	20,960	22,399	23,135	24,255	22,702
\$1,000,000 to 9,999,999	16,083	16,135	15,453	17,075	18,251	16,599
\$10,000,000 to 24,999,999	2,292	2,218	2,137	2,420	2,652	2,344
\$25,000,000 to 49,999,999	965	932	854	1,008	1,111	974
\$50,000,000 to 99,999,999	472	457	445	512	569	491
\$100,000,000 or more	496	459	434	498	552	488



EXHIBITS 5-10

Exhibit 5 presents the methodology used by SOI in segmenting the data on private foundations. As noted earlier, private non-operating foundations are the largest segment, and are free of the distortions caused by the potential inclusion of operating foundations that are exempt from the excise tax. For that reason we have based this analysis on the data for non-operating foundations.

In Exhibits 6 through 10 we show a fuller range of the underlying data disclosed by SOI.

Lastly, we would like to point out that:

- The current two-tiered (1%/2%) structure encourages foundations subject to the excise tax to periodically reduce programming, limit realization of gains where possible, and reset the starting point for qualification for the lower 1% rate.
- When the need for a “reset year” coincides with the need for emergency programming, the desire to respond to community needs is placed in conflict with the desire to maintain a prudent level of payout.
- A simplified rate would preserve existing levels of revenue while eliminating the incentive to restrict programming in order to qualify for favorable tax treatment.
- A simplified rate would also eliminate the recessive nature of the current structure which results in smaller foundations typically paying a higher effective rate of excise tax.

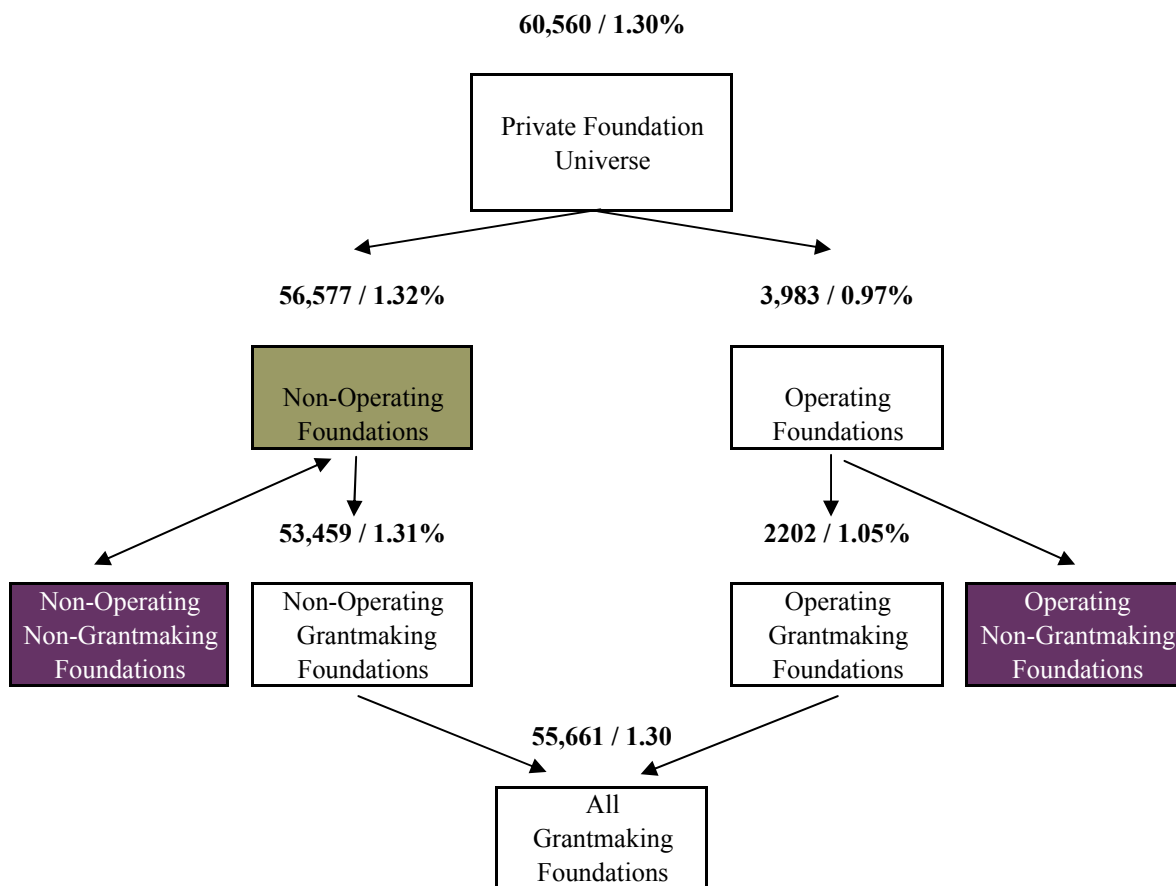
EXHIBIT 5

**PRIVATE FOUNDATION UNIVERSE
AS SEGMENTED BY THE STATISTICS OF INCOME DIVISION
OF THE
INTERNAL REVENUE SERVICE
Tax Year 2003**

Numbers shown above boxes are as follows:

*The first number is the number of returns filed for that segment in Tax Year 2003

*The second number is the mean excise tax percentage paid by the segment in Tax Year 2003



Data used for Analysis in this Study

Segment Data Not Disclosed by IRS

EXHIBIT 6
COUNCIL OF MICHIGAN FOUNDATIONS
EXCISE TAX ANALYSIS
YEAR 2000

	<u>Net Investment Income</u>		<u>Excise Tax</u>		<u>Percent</u>
	Return (#)	Amount (\$)	Return (#)	Amount (\$)	Amount (%)
All Foundations					
Total.....	57,699	48,830,268	55,733	625,047	1.28
Zero or unreported.....	*299	*22	*299	*[2]	---
\$1 under \$100,000.....	10,471	43,396	9,275	664	1.53
\$100,000 under \$1,000,000.....	24,849	925,769	24,414	14,081	1.52
\$1,000,000 under \$10,000,000.....	17,220	5,998,782	16,997	85,960	1.43
\$10,000,000 under \$25,000,000.....	2,788	4,135,985	2,733	56,868	1.37
\$25,000,000 under \$50,000,000.....	1,022	4,142,780	1,001	57,156	1.38
\$50,000,000 under \$100,000,000.....	503	3,918,702	488	52,399	1.34
\$100,000,000 or more.....	547	29,664,831	525	357,919	1.21
Nonoperating Foundations					
Total.....	54,019	45,653,535	52,341	601,196	1.32
Zero or unreported.....	*299	*22	*299	*[2]	---
\$1 under \$100,000.....	10,167	42,171	8,971	639	1.52
\$100,000 under \$1,000,000.....	23,198	890,614	22,763	13,438	1.51
\$1,000,000 under \$10,000,000.....	16,117	5,706,424	16,083	82,213	1.44
\$10,000,000 under \$25,000,000.....	2,301	3,684,767	2,292	51,810	1.41
\$25,000,000 under \$50,000,000.....	966	4,017,040	965	55,733	1.39
\$50,000,000 under \$100,000,000.....	473	3,795,868	472	51,541	1.36
\$100,000,000 or more.....	498	27,516,629	496	345,821	1.26
Operating Foundations					
Total.....	3,680	3,176,732	3,391	23,851	0.75
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*304	*1,225	*304	*25	---
\$100,000 under \$1,000,000.....	1,651	35,155	1,651	643	1.83
\$1,000,000 under \$10,000,000.....	1,103	292,358	914	3,747	1.28
\$10,000,000 under \$25,000,000.....	487	451,218	441	5,058	1.12
\$25,000,000 under \$50,000,000.....	56	125,740	36	1,422	1.13
\$50,000,000 under \$100,000,000.....	30	122,834	16	857	0.70
\$100,000,000 or more.....	49	2,148,202	29	12,098	0.56
Grantmaking Foundations					
Total.....	51,420	47,206,505	50,239	603,813	1.28
Zero or unreported.....	*299	*22	*299	*[2]	---
\$1 under \$100,000.....	8,971	35,164	8,074	499	1.42
\$100,000 under \$1,000,000.....	21,782	880,710	21,602	13,373	1.52
\$1,000,000 under \$10,000,000.....	16,046	5,482,737	15,993	77,279	1.41
\$10,000,000 under \$25,000,000.....	2,340	3,784,998	2,317	52,511	1.39
\$25,000,000 under \$50,000,000.....	971	4,027,815	962	55,514	1.38
\$50,000,000 under \$100,000,000.....	482	3,754,750	475	50,060	1.33
\$100,000,000 or more.....	529	29,240,309	517	354,576	1.21
Grantmaking-Nonoperating Foundations					
Total.....	49,282	45,034,341	48,176	589,525	1.31
Zero or unreported.....	*299	*22	*299	*[2]	---
\$1 under \$100,000.....	8,971	35,164	8,074	499	1.42
\$100,000 under \$1,000,000.....	20,341	848,262	20,161	12,785	1.51
\$1,000,000 under \$10,000,000.....	15,501	5,360,801	15,482	75,595	1.41
\$10,000,000 under \$25,000,000.....	2,264	3,606,395	2,256	50,314	1.40
\$25,000,000 under \$50,000,000.....	943	3,979,790	943	55,051	1.38
\$50,000,000 under \$100,000,000.....	467	3,702,791	466	49,680	1.34
\$100,000,000 or more.....	496	27,501,116	495	345,601	1.26
Grantmaking-Operating Foundations					
Total.....	2,137	2,172,163	2,063	14,288	0.66
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	---	---	---	---	---
\$100,000 under \$1,000,000.....	1,441	32,448	1,441	589	1.82
\$1,000,000 under \$10,000,000.....	544	121,936	511	1,684	1.38
\$10,000,000 under \$25,000,000.....	76	178,602	61	2,197	1.23
\$25,000,000 under \$50,000,000.....	28	48,025	19	463	0.96
\$50,000,000 under \$100,000,000.....	15	51,959	9	380	0.73
\$100,000,000 or more.....	33	1,739,193	22	8,976	0.52

* Estimate should be used with caution because of the small number of sample returns on which it is based.

**EXHIBIT 7
COUNCIL OF MICHIGAN FOUNDATIONS
EXCISE TAX ANALYSIS
YEAR 2001**

	<u>Net Investment Income</u>		<u>Excise Tax</u>		<u>Percent</u>
	Return (#)	Amount (\$)	Return (#)	Amount (\$)	Amount (%)
All Foundations					
Total.....	57,536	25,719,096	55,584	305,294	1.19
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	12,817	13,124	11,108	204	1.55
\$100,000 under \$1,000,000.....	22,825	834,151	22,825	11,885	1.42
\$1,000,000 under \$10,000,000.....	17,495	3,786,196	17,365	50,428	1.33
\$10,000,000 under \$25,000,000.....	2,400	2,243,971	2,348	30,039	1.34
\$25,000,000 under \$50,000,000.....	1,000	2,066,457	978	27,069	1.31
\$50,000,000 under \$100,000,000.....	496	2,023,353	479	25,163	1.24
\$100,000,000 or more.....	504	14,751,845	482	160,506	1.09
Nonoperating Foundations					
Total.....	52,722	24,482,873	51,414	297,100	1.21
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	11,535	11,232	10,253	171	1.52
\$100,000 under \$1,000,000.....	20,960	813,782	20,960	11,522	1.42
\$1,000,000 under \$10,000,000.....	16,147	3,582,729	16,135	47,988	1.34
\$10,000,000 under \$25,000,000.....	2,224	2,125,976	2,218	28,729	1.35
\$25,000,000 under \$50,000,000.....	935	1,991,290	932	26,243	1.32
\$50,000,000 under \$100,000,000.....	460	1,901,762	457	24,358	1.28
\$100,000,000 or more.....	462	14,056,103	459	158,089	1.12
Operating Foundations					
Total.....	4,813	1,236,223	4,170	8,194	0.66
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*1,282	*1,892	*854	*33	---
\$100,000 under \$1,000,000.....	1,865	20,368	1,865	363	1.78
\$1,000,000 under \$10,000,000.....	1,348	203,467	1,230	2,440	1.20
\$10,000,000 under \$25,000,000.....	176	117,995	130	1,310	1.11
\$25,000,000 under \$50,000,000.....	65	75,167	46	826	1.10
\$50,000,000 under \$100,000,000.....	36	121,591	22	805	0.66
\$100,000,000 or more.....	42	695,742	23	2,417	0.35
Grantmaking Foundations					
Total.....	49,885	25,120,794	49,379	297,966	1.19
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	8,972	9,776	8,544	153	1.57
\$100,000 under \$1,000,000.....	20,814	817,954	20,814	11,561	1.41
\$1,000,000 under \$10,000,000.....	15,913	3,499,390	15,889	46,019	1.32
\$10,000,000 under \$25,000,000.....	2,268	2,174,626	2,246	29,213	1.34
\$25,000,000 under \$50,000,000.....	956	1,990,150	945	25,964	1.30
\$50,000,000 under \$100,000,000.....	476	1,968,146	466	24,833	1.26
\$100,000,000 or more.....	487	14,660,752	475	160,224	1.09
Grantmaking-Nonoperating Foundations					
Total.....	47,462	24,214,597	47,024	292,107	1.21
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	8,544	9,748	8,117	153	1.57
\$100,000 under \$1,000,000.....	19,561	804,840	19,561	11,343	1.41
\$1,000,000 under \$10,000,000.....	15,330	3,397,660	15,330	44,396	1.31
\$10,000,000 under \$25,000,000.....	2,193	2,109,136	2,188	28,419	1.35
\$25,000,000 under \$50,000,000.....	920	1,951,887	919	25,507	1.31
\$50,000,000 under \$100,000,000.....	455	1,893,820	452	24,235	1.28
\$100,000,000 or more.....	459	14,047,507	457	158,054	1.13
Grantmaking-Operating Foundations					
Total.....	2,423	906,196	2,356	5,859	0.65
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	427	28	427	*[2]	---
\$100,000 under \$1,000,000.....	1,253	13,114	1,253	218	1.66
\$1,000,000 under \$10,000,000.....	583	101,730	560	1,623	1.60
\$10,000,000 under \$25,000,000.....	75	65,491	58	794	1.21
\$25,000,000 under \$50,000,000.....	36	38,263	26	457	1.19
\$50,000,000 under \$100,000,000.....	21	74,326	14	597	0.80
\$100,000,000 or more.....	28	613,245	18	2,170	0.35

* Estimate should be used with caution because of the small number of sample returns on which it is based.

EXHIBIT 8
COUNCIL OF MICHIGAN FOUNDATIONS
EXCISE TAX ANALYSIS
YEAR 2002

	<u>Net Investment Income</u>		<u>Excise Tax</u>		<u>Percent</u>
	Return (#)	Amount (\$)	Return (#)	Amount (\$)	Amount (%)
All Foundations					
Total.....	58,632	17,647,618	55,839	233,674	1.32
Zero or unreported.....	*427	*3,277	*427	*33	---
\$1 under \$100,000.....	13,277	38,586	10,717	489	1.27
\$100,000 under \$1,000,000.....	24,221	767,435	24,221	12,981	1.69
\$1,000,000 under \$10,000,000.....	16,501	2,488,704	16,380	35,410	1.42
\$10,000,000 under \$25,000,000.....	2,329	1,770,079	2,271	23,528	1.33
\$25,000,000 under \$50,000,000.....	912	1,446,230	894	18,721	1.29
\$50,000,000 under \$100,000,000.....	485	1,563,269	472	19,764	1.26
\$100,000,000 or more.....	481	9,570,038	457	122,749	1.28
Nonoperating Foundations					
Total.....	54,547	16,666,035	52,440	224,698	1.35
Zero or unreported.....	*427	*3,277	*427	*33	---
\$1 under \$100,000.....	12,424	36,742	10,291	459	1.25
\$100,000 under \$1,000,000.....	22,399	749,301	22,399	12,641	1.69
\$1,000,000 under \$10,000,000.....	15,412	2,342,221	15,453	33,787	1.44
\$10,000,000 under \$25,000,000.....	2,145	1,690,873	2,137	22,727	1.34
\$25,000,000 under \$50,000,000.....	857	1,377,879	854	18,057	1.31
\$50,000,000 under \$100,000,000.....	445	1,462,812	445	18,754	1.28
\$100,000,000 or more.....	438	9,002,929	434	118,241	1.31
Operating Foundations					
Total.....	4,085	981,583	3,399	8,976	0.91
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*853	*1,843	*427	*31	---
\$100,000 under \$1,000,000.....	1,821	18,134	1,821	340	1.88
\$1,000,000 under \$10,000,000.....	1,088	146,482	927	1,623	1.11
\$10,000,000 under \$25,000,000.....	184	79,206	134	801	1.01
\$25,000,000 under \$50,000,000.....	55	68,351	40	664	0.97
\$50,000,000 under \$100,000,000.....	40	100,458	27	1,010	1.00
\$100,000,000 or more.....	43	567,109	23	4,508	0.79
Grantmaking Foundations					
Total.....	52,481	17,358,906	50,763	230,727	1.33
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	10,291	35,694	8,585	438	1.23
\$100,000 under \$1,000,000.....	22,526	763,000	22,526	12,892	1.69
\$1,000,000 under \$10,000,000.....	15,673	2,418,562	15,714	34,477	1.43
\$10,000,000 under \$25,000,000.....	2,188	1,713,911	2,164	22,883	1.34
\$25,000,000 under \$50,000,000.....	876	1,422,887	867	18,474	1.30
\$50,000,000 under \$100,000,000.....	463	1,519,380	456	19,206	1.26
\$100,000,000 or more.....	464	9,485,471	452	122,357	1.29
Grantmaking-Nonoperating Foundations					
Total.....	49,914	16,586,255	48,238	223,342	1.35
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	10,291	35,694	8,585	438	1.23
\$100,000 under \$1,000,000.....	20,828	745,529	20,828	12,565	1.69
\$1,000,000 under \$10,000,000.....	14,968	2,308,745	15,009	33,167	1.44
\$10,000,000 under \$25,000,000.....	2,107	1,673,799	2,102	22,436	1.34
\$25,000,000 under \$50,000,000.....	845	1,373,971	843	17,979	1.31
\$50,000,000 under \$100,000,000.....	440	1,452,272	440	18,558	1.28
\$100,000,000 or more.....	435	8,996,245	432	118,198	1.31
Grantmaking-Operating Foundations					
Total.....	2,567	772,651	2,525	7,385	0.96
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	---	---	---	---	---
\$100,000 under \$1,000,000.....	*1,698	*17,471	*1,698	*327	---
\$1,000,000 under \$10,000,000.....	705	109,818	705	1,310	1.19
\$10,000,000 under \$25,000,000.....	81	40,112	62	446	1.11
\$25,000,000 under \$50,000,000.....	31	48,916	24	495	1.01
\$50,000,000 under \$100,000,000.....	23	67,108	16	647	0.96
\$100,000,000 or more.....	29	489,226	20	4,159	0.85

* Estimate should be used with caution because of the small number of sample returns on which it is based.

**EXHIBIT 9
COUNCIL OF MICHIGAN FOUNDATIONS
EXCISE TAX ANALYSIS
YEAR 2003**

	<u>Net Investment Income</u>		<u>Excise Tax</u>		<u>Percent</u>
	Return (#)	Amount (\$)	Return (#)	Amount (\$)	Amount (%)
All Foundations					
Total.....	60,560	25,192,997	57,095	327,882	1.30
Zero or unreported.....	*796	*16,142	*497	*161	---
\$1 under \$100,000.....	11,341	68,658	9,351	1,048	1.53
\$100,000 under \$1,000,000.....	25,341	545,647	24,567	8,188	1.50
\$1,000,000 under \$10,000,000.....	18,272	3,051,123	17,994	43,674	1.43
\$10,000,000 under \$25,000,000.....	2,628	2,333,520	2,566	33,932	1.45
\$25,000,000 under \$50,000,000.....	1,066	1,977,309	1,044	27,121	1.37
\$50,000,000 under \$100,000,000.....	563	2,237,043	546	28,962	1.29
\$100,000,000 or more.....	553	14,963,555	529	184,795	1.23
Nonoperating Foundations					
Total.....	56,577	24,022,642	53,602	316,484	1.32
Zero or unreported.....	*796	*16,142	*497	*161	---
.....	10,445	66,691	8,456	1,018	1.53
\$100,000 under \$1,000,000.....	23,754	518,668	23,135	7,810	1.51
\$1,000,000 under \$10,000,000.....	17,127	2,911,250	17,075	41,937	1.44
\$10,000,000 under \$25,000,000.....	2,426	2,210,220	2,420	32,597	1.47
\$25,000,000 under \$50,000,000.....	1,011	1,905,465	1,008	26,652	1.40
\$50,000,000 under \$100,000,000.....	514	2,024,333	512	26,441	1.31
\$100,000,000 or more.....	503	14,369,872	498	179,868	1.25
Operating Foundations					
Total.....	3,983	1,170,354	3,493	11,398	0.97
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*895	*1,966	*895	*31	---
\$100,000 under \$1,000,000.....	1,587	26,980	1,432	379	1.40
\$1,000,000 under \$10,000,000.....	1,145	139,873	918	1,737	1.24
\$10,000,000 under \$25,000,000.....	202	123,299	146	1,335	1.08
\$25,000,000 under \$50,000,000.....	55	71,844	36	469	0.65
\$50,000,000 under \$100,000,000.....	49	212,710	34	2,521	1.18
\$100,000,000 or more.....	50	593,682	31	4,928	0.83
Grantmaking Foundations					
Total.....	55,661	24,593,688	52,879	320,320	1.30
Zero or unreported.....	*796	*16,142	*497	*161	---
\$1 under \$100,000.....	9,650	62,412	7,859	925	1.48
\$100,000 under \$1,000,000.....	23,538	536,977	23,023	8,019	1.49
\$1,000,000 under \$10,000,000.....	17,101	2,883,395	16,982	41,128	1.43
\$10,000,000 under \$25,000,000.....	2,478	2,208,363	2,452	32,110	1.45
\$25,000,000 under \$50,000,000.....	1,027	1,898,412	1,016	26,163	1.38
\$50,000,000 under \$100,000,000.....	538	2,113,758	529	27,222	1.29
\$100,000,000 or more.....	534	14,874,230	521	184,592	1.24
Grantmaking-Nonoperating Foundations					
Total.....	53,459	23,782,225	50,842	311,827	1.31
Zero or unreported.....	*796	*16,142	*497	*161	---
\$1 under \$100,000.....	9,252	61,632	7,461	916	1.49
\$100,000 under \$1,000,000.....	22,468	510,792	22,005	7,654	1.50
\$1,000,000 under \$10,000,000.....	16,555	2,810,735	16,503	39,967	1.42
\$10,000,000 under \$25,000,000.....	2,382	2,139,330	2,377	31,218	1.46
\$25,000,000 under \$50,000,000.....	997	1,862,276	995	25,822	1.39
\$50,000,000 under \$100,000,000.....	510	2,014,814	508	26,251	1.30
\$100,000,000 or more.....	500	14,366,504	496	179,837	1.25
Grantmaking-Operating Foundations					
Total.....	2,202	811,464	2,037	8,492	1.05
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*398	*780	*398	*8	---
\$100,000 under \$1,000,000.....	1,071	26,185	1,019	365	1.39
\$1,000,000 under \$10,000,000.....	546	72,660	479	1,160	1.60
\$10,000,000 under \$25,000,000.....	96	69,033	75	891	1.29
\$25,000,000 under \$50,000,000.....	30	36,136	21	341	0.94
\$50,000,000 under \$100,000,000.....	28	98,943	21	971	0.98
\$100,000,000 or more.....	34	507,726	25	4,756	0.94

* Estimate should be used with caution because of the small number of sample returns on which it is based.

EXHIBIT 10
COUNCIL OF MICHIGAN FOUNDATIONS
EXCISE TAX ANALYSIS
YEAR 2004

	<u>Net Investment Income</u>		<u>Excise Tax</u>		<u>Percent</u>
	Return (#)	Amount (\$)	Return (#)	Amount (\$)	Amount (%)
All Foundations					
Total.....	61,845	34,019,443	58,780	468,672	1.38
Zero or unreported.....	*596	*183	*298	*3	---
\$1 under \$100,000.....	10,922	79,836	9,233	905	1.13
\$100,000 under \$1,000,000.....	25,706	634,202	24,984	9,672	1.53
\$1,000,000 under \$10,000,000.....	19,359	3,665,652	19,139	54,476	1.49
\$10,000,000 under \$25,000,000.....	2,863	2,926,024	2,799	43,855	1.50
\$25,000,000 under \$50,000,000.....	1,178	2,897,457	1,149	40,985	1.41
\$50,000,000 under \$100,000,000.....	616	3,045,351	602	43,242	1.42
\$100,000,000 or more.....	605	20,770,738	577	275,535	1.33
Nonoperating Foundations					
Total.....	57,815	32,288,893	55,576	456,435	1.41
Zero or unreported.....	*596	*183	*298	*3	---
\$1 under \$100,000.....	9,830	77,472	8,439	875	1.13
\$100,000 under \$1,000,000.....	24,255	616,755	23,737	9,407	1.53
\$1,000,000 under \$10,000,000.....	18,251	3,495,780	18,241	52,350	1.50
\$10,000,000 under \$25,000,000.....	2,652	2,798,824	2,647	42,392	1.51
\$25,000,000 under \$50,000,000.....	1,111	2,787,491	1,103	39,865	1.43
\$50,000,000 under \$100,000,000.....	569	2,865,497	568	41,812	1.46
\$100,000,000 or more.....	552	19,646,891	544	269,731	1.37
Operating Foundations					
Total.....	4,030	1,730,551	3,204	12,237	0.71
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*1,092	*2,364	*794	*29	---
\$100,000 under \$1,000,000.....	1,452	17,447	1,247	265	1.52
\$1,000,000 under \$10,000,000.....	1,108	169,873	898	2,126	1.25
\$10,000,000 under \$25,000,000.....	211	127,199	152	1,464	1.15
\$25,000,000 under \$50,000,000.....	67	109,967	46	1,120	1.02
\$50,000,000 under \$100,000,000.....	47	179,853	34	1,430	0.80
\$100,000,000 or more.....	53	1,123,848	33	5,804	0.52
Grantmaking Foundations					
Total.....	56,261	33,456,091	54,236	462,973	1.38
Zero or unreported.....	*596	*183	*298	*3	---
\$1 under \$100,000.....	8,638	74,099	7,347	811	1.09
\$100,000 under \$1,000,000.....	23,732	619,528	23,426	9,398	1.52
\$1,000,000 under \$10,000,000.....	18,279	3,571,504	18,217	53,258	1.49
\$10,000,000 under \$25,000,000.....	2,714	2,821,230	2,687	42,328	1.50
\$25,000,000 under \$50,000,000.....	1,126	2,847,089	1,112	40,551	1.42
\$50,000,000 under \$100,000,000.....	590	2,952,401	584	42,738	1.45
\$100,000,000 or more.....	585	20,570,056	565	273,886	1.33
Grantmaking-Nonoperating Foundations					
Total.....	54,090	32,179,754	52,414	454,430	1.41
Zero or unreported.....	*596	*183	*298	*3	---
\$1 under \$100,000.....	7,943	72,596	6,850	790	1.09
\$100,000 under \$1,000,000.....	22,951	605,534	22,696	9,192	1.52
\$1,000,000 under \$10,000,000.....	17,779	3,468,964	17,768	51,869	1.50
\$10,000,000 under \$25,000,000.....	2,618	2,753,588	2,613	41,494	1.51
\$25,000,000 under \$50,000,000.....	1,089	2,775,215	1,084	39,664	1.43
\$50,000,000 under \$100,000,000.....	565	2,861,395	564	41,743	1.46
\$100,000,000 or more.....	549	19,642,280	541	269,673	1.37
Grantmaking-Operating Foundations					
Total.....	2,171	1,276,337	1,822	8,543	0.67
Zero or unreported.....	---	---	---	---	---
\$1 under \$100,000.....	*695	*1504	*496	*21	---
\$100,000 under \$1,000,000.....	781	13,994	731	206	1.47
\$1,000,000 under \$10,000,000.....	501	102,540	449	1,388	1.35
\$10,000,000 under \$25,000,000.....	96	67,643	74	834	1.23
\$25,000,000 under \$50,000,000.....	37	71,873	28	886	1.23
\$50,000,000 under \$100,000,000.....	25	91,006	20	995	1.09
\$100,000,000 or more.....	36	927,777	24	4,213	0.45

* Estimate should be used with caution because of the small number of sample returns on which it is based.