Tax Incentives or Political Motivations? Evidence from Corporate Contributions

Julia Cagé[1], Agathe Denis[1], Malka Guillot[2], Simon Muchardt[3], Camille Urvoy[4]

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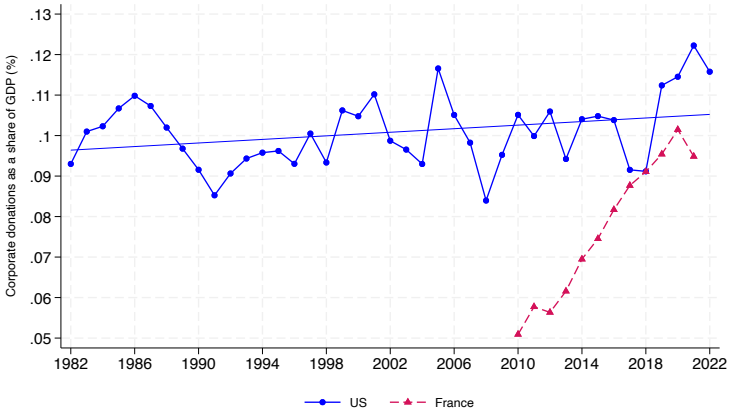
EEA Summer Conference
August 25th, 2025

Outline

Corporate giving has been growing around the world in recent years

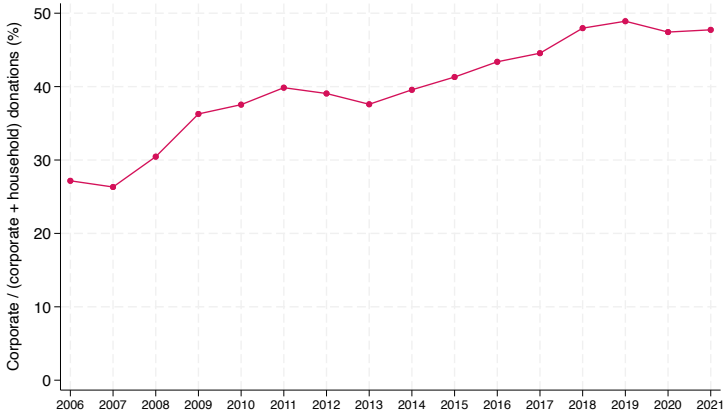
And particularly so in France



Corporate giving reached nearly 0.10% of **French** GDP in 2022, and 0.12% in the **US**.

Growing share of total charitable giving is done by firms

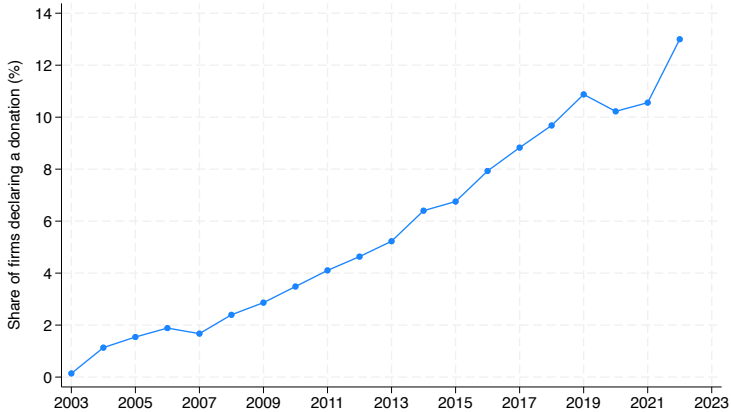
France



- 23.6% in the UK; 7% in the US (but to which one can add 19% for foundations) (evolution).
- Around 42% in France in 2022. → Partly driven by **growing number of firms giving**.

Growing number of giving firms

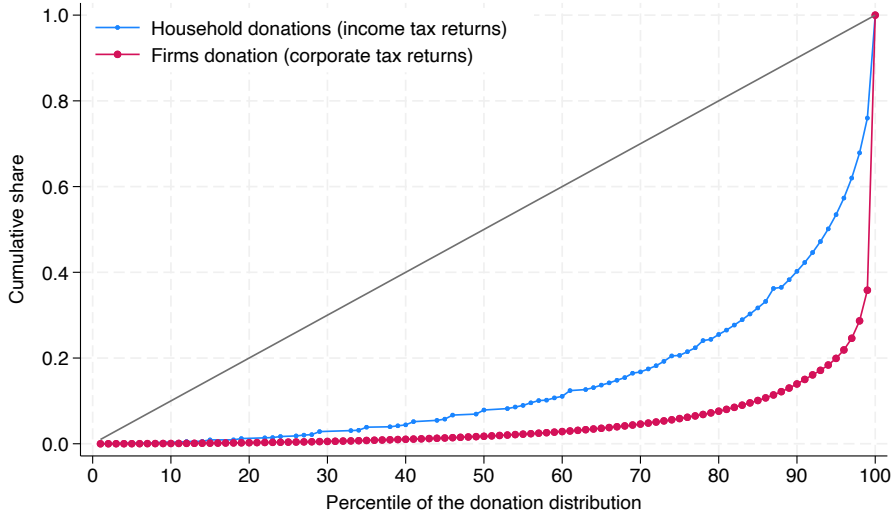
France



Source: authors' computations from administrative tax data (BIC-RN for total # of firms & MVC Mécénat for # of donors) (with BIC-RS) .

Donations are highly concentrated

France, 2022



How to explain the growth of corporate philanthropy?

The economic literature has outlined several reasons as to **why firms give** (beyond tax incentives):

1. As a means to **increase profits** (Clotfelter, 1985).
   - By **improving image**, as a respond to a demand from
     - Consumers/clients (Bae et al., 2019).
     - Employees
     - Board members and/or firm stakeholders (Bénabou and Tirole, 2010)
   - By **influencing politics**
     - Central role of foundations (Bertand *et al.*, 2020).
2. Reflect **owners' preferences** (Bertand *et al.*, 2024).

This paper

1. How do firms adapt their giving behavior to **changes in tax incentives**?
   - Evaluate the **effect of a recent reform** using a **difference-in-difference** approach.
   - Estimate **tax-price elasticity** of corporate giving using a **bunching** approach.

   → Using exhaustive administrative tax data

2. Do firms respond **similarly** depending on their **motives** and the **causes they support**?
   - Investigate whether donation behaviors vary with the purposes of the charities supported.

   → Using administrative data on beneficiaries

Outline

Tax treatment of corporate giving in France, before/after reforms

- **1987**: introduction of favorable tax treatment loi Léotard
- **2003**: non-refundable **tax credit** (rate = 60%; CIT rate was 0.33 in 2003) loi Aillagon

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	2003-2018	**2019**	**2020–**
Tax Reduction	60% reduction		
Cap	0.5% of revenues		
Reporting	No		

- Donations above the cap can be spread over 5 years.
- Donations must be made to a non-profit association or foundation benefiting the general public definition

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	2003-2018	**2019**	**2020–**
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	2003-2018	**2019**	**2020–**
Tax Reduction	60% reduction	60% reduction	60% reduction 40% reduction >2M€
Cap	0.5% of revenues	10,000€ *or* 0.5% of revenues	20,000€ *or* 0.5% of revenues
Reporting	No	Total donations >10K€	Total donations >10K€

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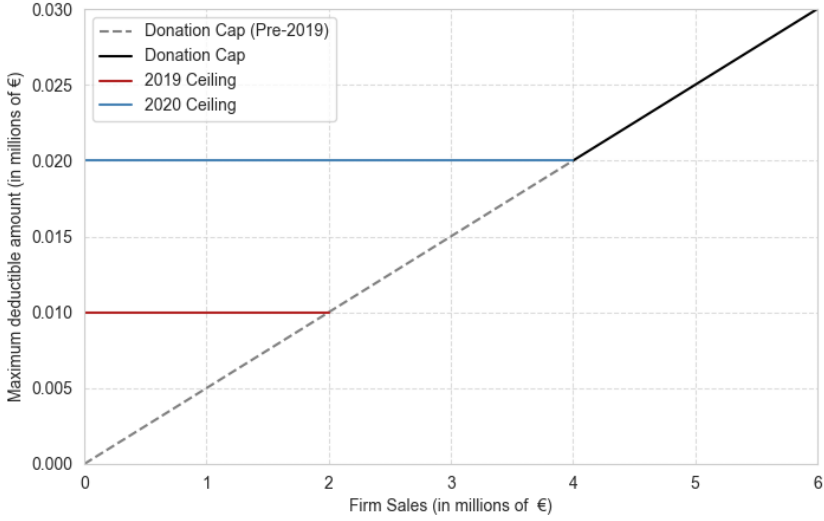
The impact of the reforms on the deductible amounts



Outline

Administrative tax data

1. **BIC** (*"bénéfices industriels et commerciaux"*): exhaustive dataset of firms' tax returns, from 2003 to 2022.
2. **MVC Mécénat**: corporate tax credit claims regarding donations, from 2003 to 2022.
3. **2069 RCI**: contains details on beneficiaries, from 2019 to 2022 (form).

$\Rightarrow$ Datasets merged on year/firm identifier (SIREN).

$\Rightarrow$ Exhaustive panel of firms.

Administrative tax data – Descriptive statistics (2022)

	Avg	Sd	p10	median	p90
Normal regime (N: 1,076,668)					
Sales	k€9,628	k€2,217,347	k€0	k€437	k€4,351
Assets	k€29,551	k€3,246,371	k€68	k€723	k€7,212
Profit	k€513	k€49,850	k€-50	k€21	k€410
Donation amount (cond. giving)	€26,593	€548,947	€300	€2,500	€21,672
Donation amount (detailed decla.)	€150,186	€1,880,178	€2,300	€20,564	€169,343
2069 RCI (N: 19,511)					
Sales	k€303,890	k€16,466,121	k€231	k€4,950	k€85,993
Assets	k€750,622	k€18,341,859	k€0	k€5,468	k€147,496
Profit	k€11,307	k€339,532	k€-41	k€278	k€6,375
Donation amount (cond. giving)	€125,598	€1,437,646	€1,000	€18,000	€119,173
Donation amount (detailed decla.)	€131,838	€1,754,757	€1,000	€19,620	€146,650

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“2069 RCI” declarations and giving recipients

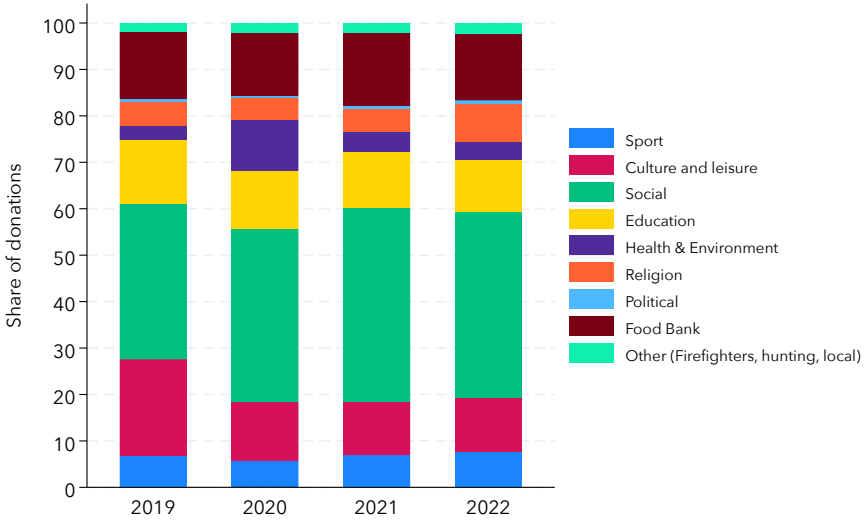
- From the 2069-RCI data, we recover the name and identifier of the **recipients**, that we merge with the information contained in the French national **directory of associations** (“Répertoire National des Associations” – RNA).
  - Repository of all the non-profit organizations (see e.g. Urvoy, 2025; Cagé, Hengel and Huang, 2023).
  - By law, all French non-profit organizations are included in this dataset, which contains a unique identifier for each of them, as well as their **stated purpose**.

“2069 RCI” declarations and giving recipients

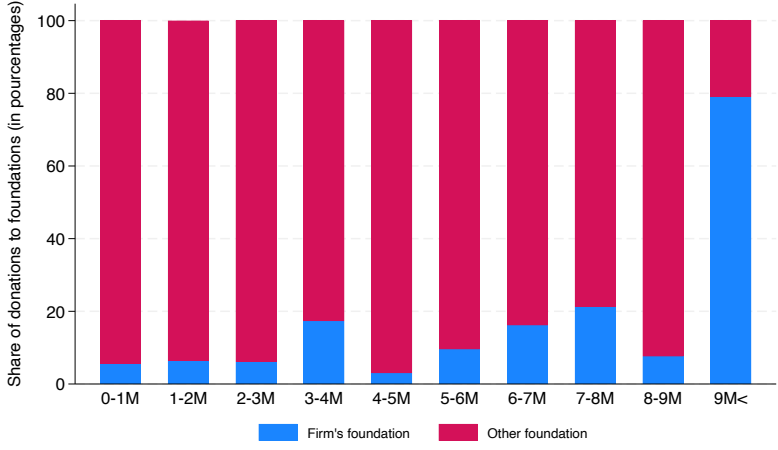
- From the 2069-RCI data, we recover the name and identifier of the **recipients**, that we merge with the information contained in the French national **directory of associations** (“Répertoire National des Associations” – RNA).
- $\approx 44,660$ recipient charities per year in the 2069-RCI data (evolution).
  - Initial work consisted in recovering “unique” charities from different names used.
  - Name of the charities entered manually by the firms (more than twenty different spellings for “Les Restos du coeur”), and identification numbers (SIREN/RNA) often missing.
- **Unique data:** the existing literature (both on individual and on corporate donations) tends to lack information on the recipients.

Charity purposes: Share of total amount received

details



Donations to foundations by level of turnover, 2022



- The **corporate foundations status** was introduced in 1990, and their number was multiplied by nearly four since 2003 (to reach 443 as of 2023).

Outline

Difference-in-Differences setting

- **Continuous treatment** = firm-specific increase in the tax-credit amount they can claim thanks to the reform.

$$\text{Treatment intensity}_j = \begin{cases} 10\,000 - 0.5\% \times \text{sales}_{2018} \text{ if } \text{sales}_{2018} < 2M \\ 20\,000 - 0.5\% \times \text{sales}_{2018} \text{ if } \text{sales}_{2018} > 2M \ \& \ \text{sales}_{2018} < 4M \\ 0 \text{ if } \text{sales}_{2018} > 4M \end{cases}$$

- **Sample**:
  - Balanced panel of firms with 2018 sales between €0.5 and €6 millions, and sales never below €0.1 million.
  - (For now) Dropping firms that are part of a group (mothers or subsidiaries).

Difference-in-Differences setting

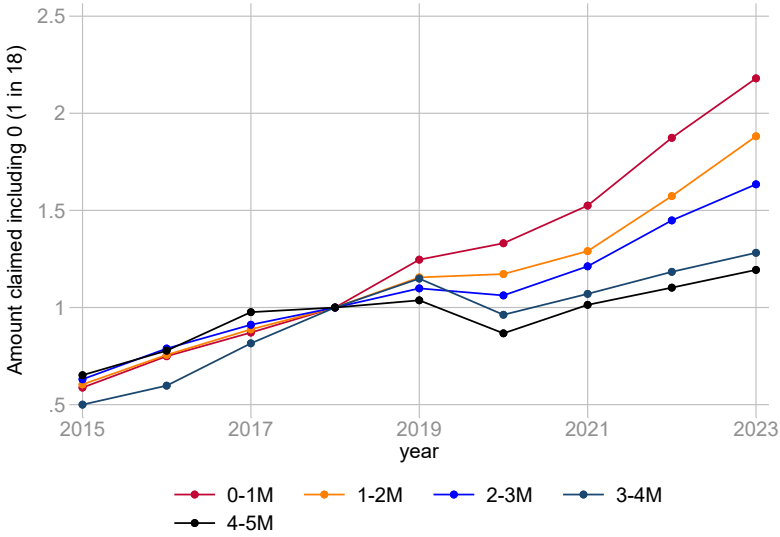
$$y_{jt} = \beta_0 + \beta_1 \text{Treatment intensity}_j \times \mathbf{1}\{t \geq 2019\} + \mathbf{X'_{jt}}\beta_2 + \mu_j + \gamma_t + \varepsilon_{jt}$$

where t index the years and j the firms.

- y_{jt} is either:
  - Probability of donating (**extensive margin**).
  - Amount claimed / assets (excluding 0 donations) (**intensive margin**).
  - Amount claimed / assets (0 if no donation) (**both margins**).
- Firm-level controls: $\mathbf{X}'_{j,t}$ (log of average wages; sector of activity (NAF), indicator variable for tax regime).
- Standard errors clustered at the level of the firms.

Raw parallel trends in a discrete setting: by level of 2018 sales

Both margins



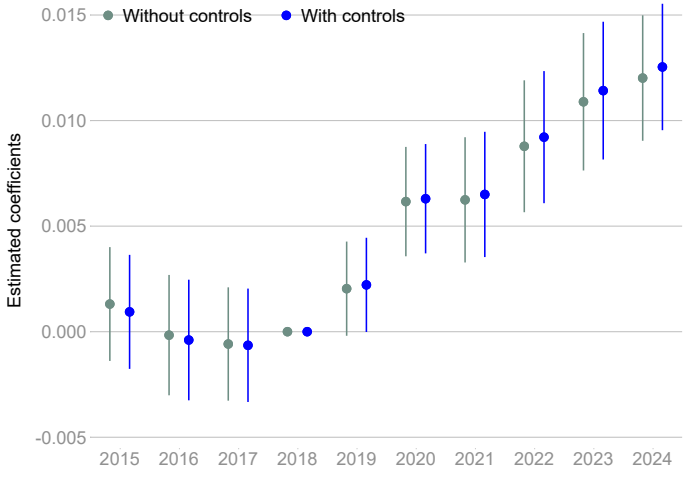
Results

	Donations/assets×100		Donations/assets×100 (excl 0)	
	(1)	(2)	(3)	(4)
Treatment intensity × Post	0.004***	0.006***	0.046***	0.047***
	(0.001)	(0.001)	(0.006)	(0.006)
Year FE	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓
Controls		✓		✓
Observations	1,856,910	1,854,482	212,902	212,792
Cluster(firms)	239,160	239,158	49,903	49,902
Mean Dep Var	0.034	0.034	0.270	0.270
Sd Dep Var	0.171	0.171	0.394	0.394

Magnitude: a €1 increase in the treatment intensity led to a 0.047 percentage-point increase in the average share of assets donated to charities, corresponding to 17.4% of the mean.

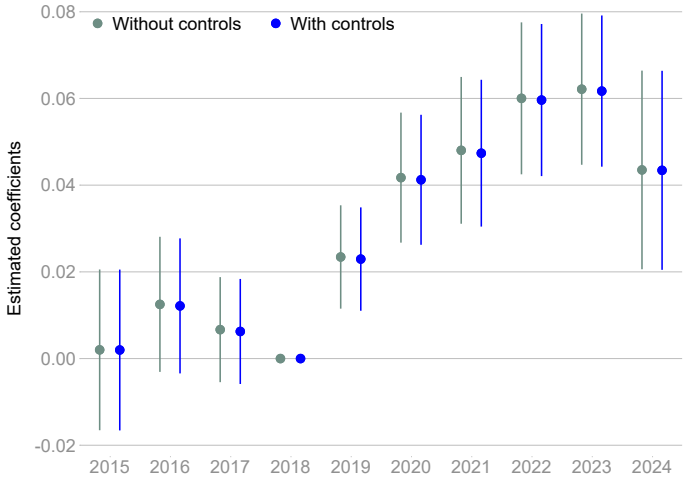
Difference-in-Differences over time

Amount claimed / assets (0 if no donation)



Difference-in-Differences over time

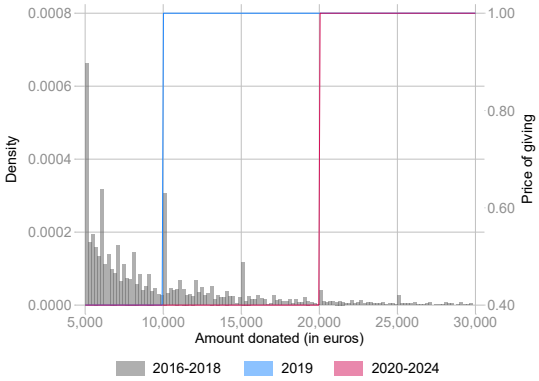
Amount claimed / assets (excluding donation=0)



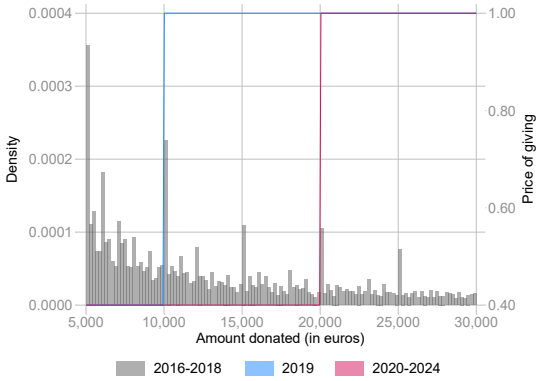
Outline

Tax credit eligibility cap

(a) Sales **below** 4 million euros



(b) Sales **above** 4 million euros



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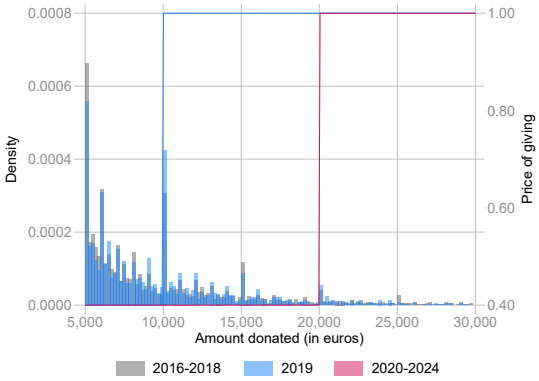
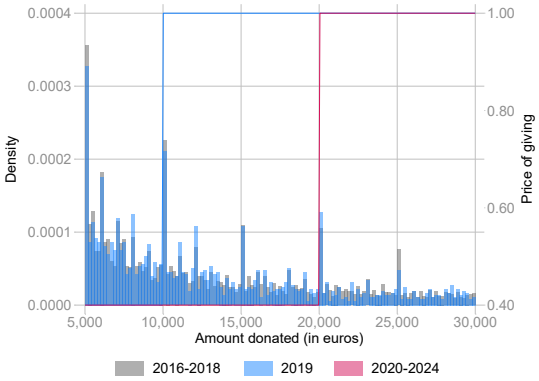


(b) Sales **above** 4 million euros



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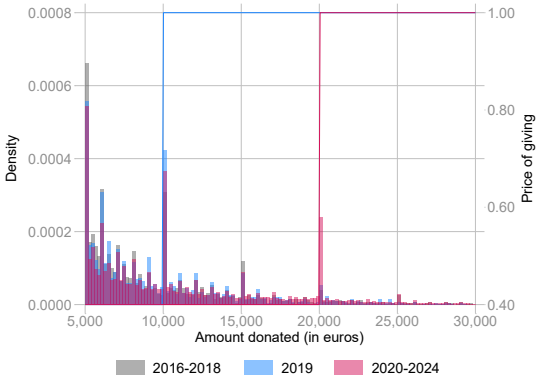
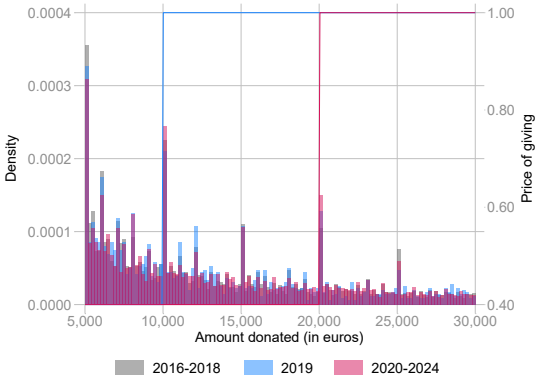


(b) Sales **above** 4 million euros



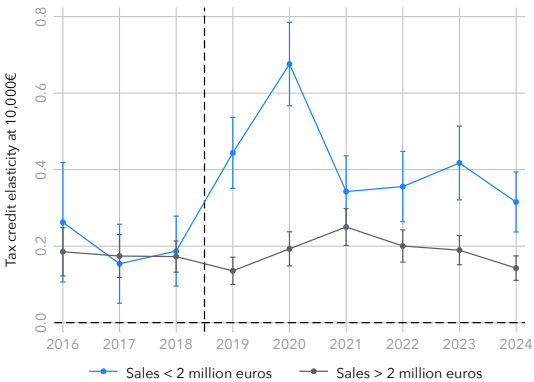
Estimation approach

- **Elasticity** (Saez, 2010; Kleven and Waseem, 2013)

$$\text{Elasticity} = \frac{-b/z^*}{\log(1 - \frac{\Delta\tau}{1-\tau})}$$

  - b: excess mass at the threshold.
  - z^*: threshold value (€$10,000$ or €$20,000$).
  - $\Delta\tau = -0.6$: marginal tax credit rate goes from 60% to 0%.

Elasticity Estimates: 10k Threshold



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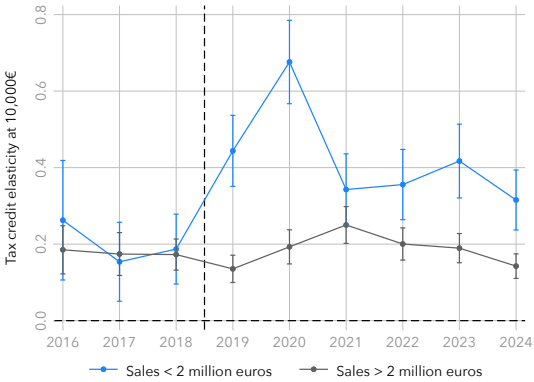
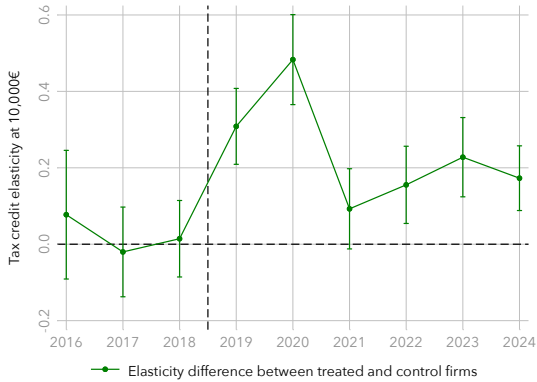
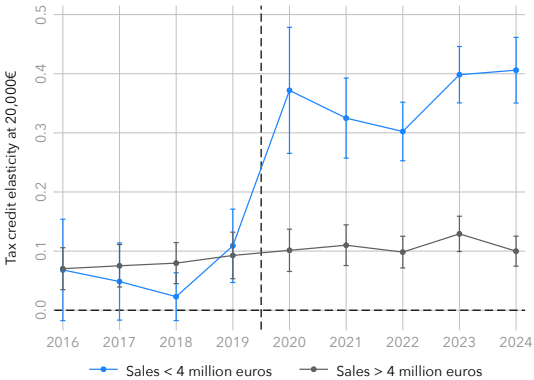
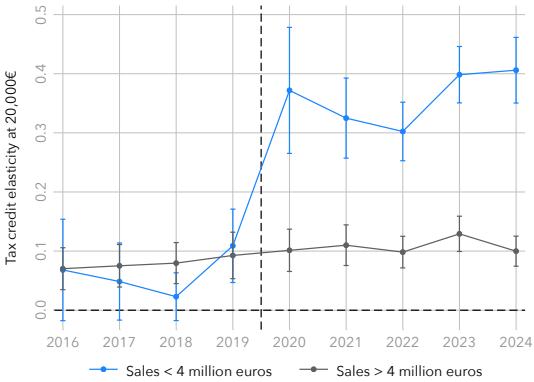


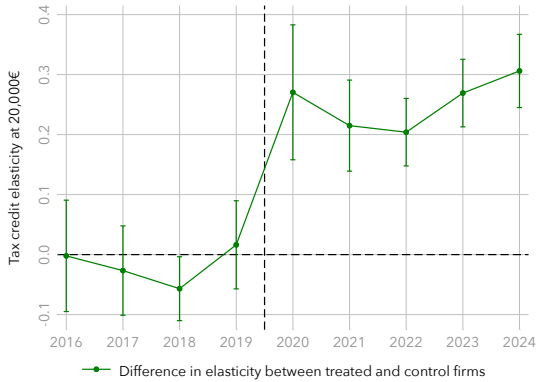


Elasticity Estimates: 20k Threshold



Elasticity Estimates: 20k Threshold



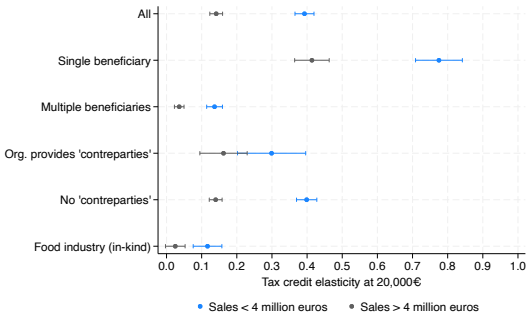


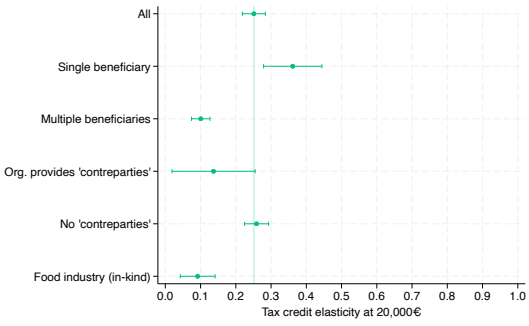
Magnitude of the estimates

- Bunching for larger – control – firms (with revenue $>$ 2M€ or $>$ 4M€) at round number points toward a behavioral component in the act of giving (reference point, image concerns).
- Firms with revenues $<$ €2M pre-2020 and $<$ €4M post-2020 – i.e. treated firms – show **higher elasticity**, indicating a stronger response to tax reforms.
  - Over 2020-2024, treated firms at the €$20,000$ threshold have an elasticity of **0.3**, compared to **0.1** for control firms.
  - Allows us to recover the "pure" effect of the tax-related bunching: **10% increase in tax credit rate $\Rightarrow$ 2% increase in amount donated**

Heterogeneity by **donor** characteristics

RCI subsample





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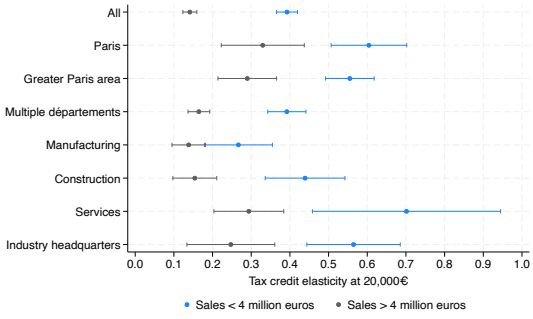
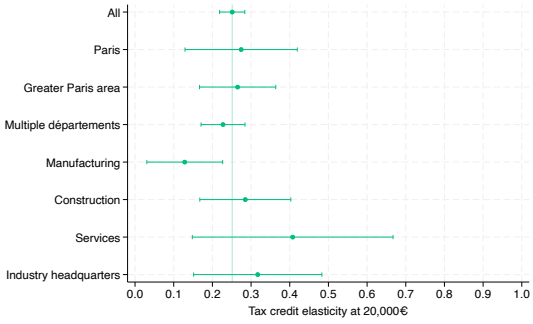
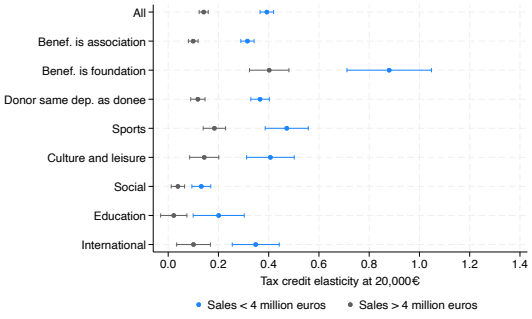
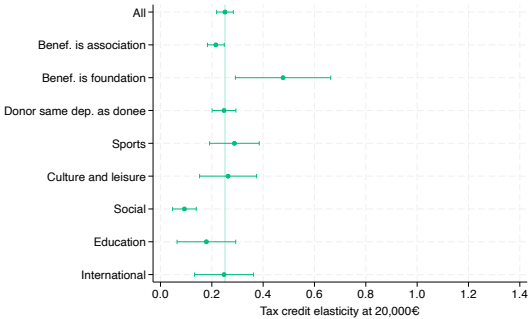




Heterogeneity by **beneficiary** characteristics





Outline

Next steps

1. Estimate impact of 2020 **change in tax credit rate** for donations above €2 millions
2. Estimate impact of 2019 **reporting requirement** for firms contributing more than €10K; contribute to bunching at 10K?
3. Improve our understanding of optimization behavior for **firms that are part of a group**.
4. Include firms liable to the **income tax**.
5. Using information on recipients for large donors, study role played by **corporate foundations** in corporate philanthropy.
6. From a **social planner** point of view, what should be the optimal tax-policy for corporate giving? the welfare-maximizing way to fund non-profit organizations?

Conclusion

- (Not surprisingly) Firms respond to tax incentives for charitable giving... but the elasticity varies with the purpose of the charity.
- This paper: First attempt at estimating the tax-credit elasticity of corporate giving, using exhaustive administrative tax data.
  - Show that firms mostly respond at the intensive margin.
  - And that the response is driven by firms that optimize their tax bill (bunching).
- Document heterogeneity of tax-price elasticity depending on the purpose of the beneficiaries.
  - Unique data on the recipient side allow us to better document the political economy of giving.

Thank you for your attention!

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EEA Summer Conference
August 25th, 2025

Outline

Civil society organizations

- **Provide goods and services** that (some) individuals consider valuable and are under-provided by the public sector (e.g. food banks, art collections)

- **Provide information**, a space for deliberation: collect opinions, build expertise, monitor lawmakers (e.g. think tank, advocacy groups)

How to fund them?

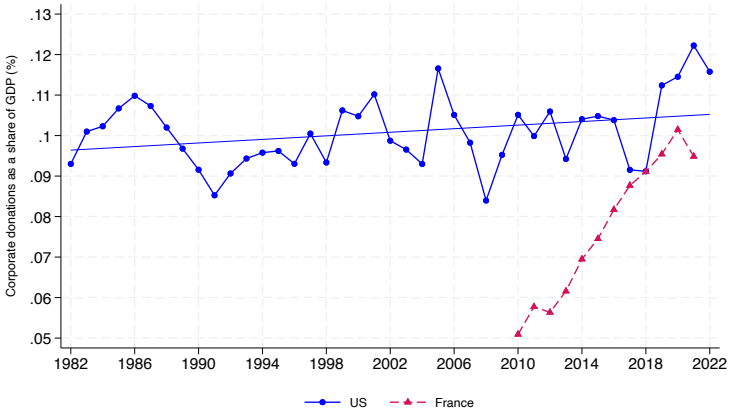
- **Public funding** – arbitrary since no objective criteria regarding which organizations should receive funding + 'winner takes it all'

- **Private funding** (individuals and firms)
  - **Decentralized assessment of quality**: each person or firm decides which organizations deserve funding
  - **Pluralism**: fund organizations whose goals may not aligned with those of the party in power
  - Many '**small donors**' vs. 'big donors': no reliance on a single donor

→ **Public policies** incentivizing private funding in many countries
  - Both individuals and **firms** (today's focus)
  - E.g. matching donations, tax deductions, tax credits
  - **Public funds, private decisions**

Corporate giving has been growing around the world in recent years

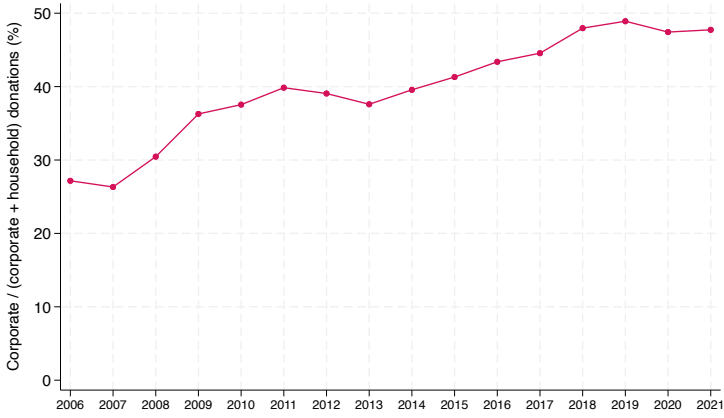
And particularly so in France



Corporate giving reached nearly 0.10% of **French** GDP in 2022, and 0.12% in the **US**.

Growing share of the total giving is done by firm

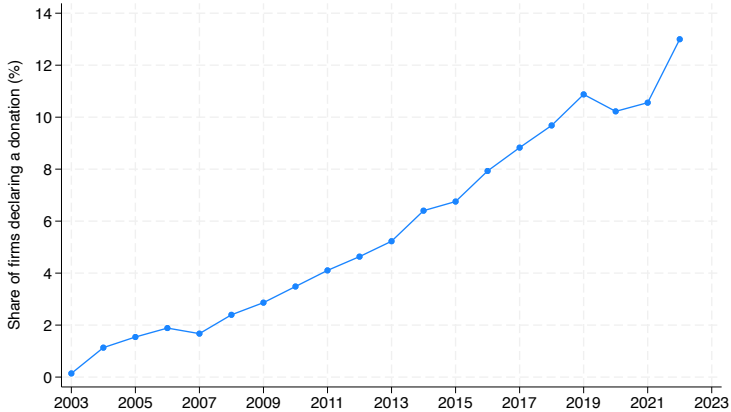
France



- 7% in the US (but to which one can add 19% for foundations); 23.6% in the UK;
- Around 42% in France in 2022 $\rightarrow$ Partly driven by growing number of firms giving.

Growing number of donors

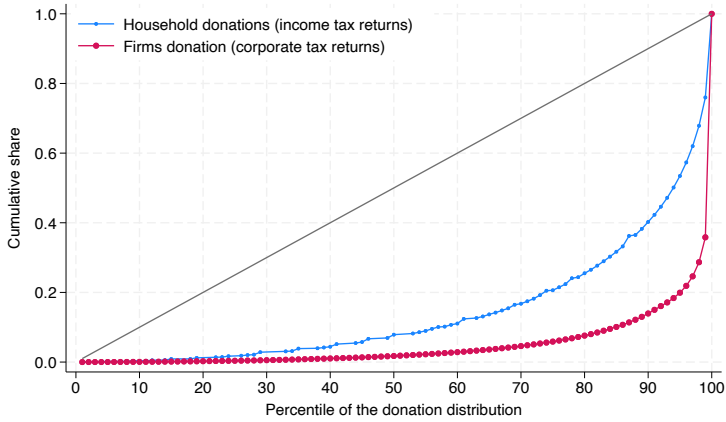
France



Source: authors' computations from administrative tax data (BIC-RN for total # of firms & MVC Mécénat for # of donors) (with BIC-RS) .

Yet, donations are highly concentrated

2022



How to explain the growth of corporate philanthropy?

The economic literature has outlined several reasons as to **why firms give** (beyond tax incentives):

1. As a means to **increase profits** (Clotfelter, 1985).
   - Change image, as a respond to a demand from
     - Consumers/clients (Bae et al., 2019).
     - Employees
     - Board members and/or firm stakeholders (Bénabou and Tirole, 2010)
   - As a means to **influence politics**
     - Central role of foundations (Bertand *et al.*, 2020).
2. Reflect owners' preferences (Bertand *et al.*, 2024).

This paper

1. How do firms adapt their giving behavior to **changes in tax incentives**?
   - **Aggregate amounts**: do firms give more?
   - **Number of donors**: more donors, more beneficiaries? (broader range of issues covered, lower concentration of donations)
2. Do firms respond **similarly** based on their **motives** and the **causes supported**?
   - Improve their **image**: consumers (e.g. Conway and Boxell, 2024), employees (e.g. Chinoy and Koenen, 2024)
   - Influence **legislation** (e.g. Bertrand et al., 2020)

Empirical framework and preliminary results

Data: administrative data from **corporate tax returns** from **2003 to 2022**, including information on corporate donations.

- 2019-2022: firms giving more than €10,000 report **beneficiaries**.

Setting: two French reforms changing the donation cap on the tax credit firms can claim in 2019 and 2020.

- **Kink point**: marginal tax credit rate is 60% below the cap, 0% above.

Identification: compare firms differently impacted by the change in the cap + bunching at the old vs. new kink point

1. Bunching strategy
2. Difference-in-differences strategy

Preliminary results: +10% retention rate (= higher tax credit rate) leads to +2% in donation amount.

- Behavioral response varies by type of beneficiary

Contribution to the existing literature

1. Literature estimating the tax-price elasticity of giving:

2. Literature on corporate philanthropy:

Contribution to the existing literature

1. Literature estimating the tax-price elasticity of giving:
   - Focuses on **charitable giving by firms** in US/UK context mostly.
     - Corporate contributions are often measured through survey data or small firms sample (e.g. Baker and Dawson, 2020 in the UK, Carroll Joulfaian, 2005 in the US).
     - Mostly unconclusive findings (Gautier and Pasche, 2015).
   - Focuses on **individual giving**
     - E.g. Almunia et al (2020) on the UK; Bakija and Heim (2011) on the US; Fack and Landais (2010) and Cagé and Guillot (2021) on France.
     - Does not consider heterogeneity depending on the recipients.
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2. Literature on corporate philanthropy:
   - Points toward a **use of philanthropy as a means to influence politics.**
     - Seminal work of Bertrand et al. (2020) in the US context (see also Bertrand et al., 2021).

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     → We use exhaustive administrative tax data

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2. Literature on corporate philanthropy:
   - Points toward a **use of philanthropy as a means to influence politics.**
     - Seminal work of Bertrand et al. (2020) in the US context (see also Bertrand et al., 2021).

     → We focus on smaller firms

Outline

Tax treatment of corporate giving in France, before and after the reforms

- **1987**: introduction of favorable tax treatment loi Léotard
- **2003**: non-refundable **tax credit** (rate = 60%; CIT rate was 0.33 in 2003) loi Aillagon

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	2003-2018	**2019**	**2020–**
Tax Reduction	60% reduction		
Cap	0.5% of revenues		
Reporting	No		

- Donations above the cap can be spread over five years.
- Donations must be made to a non-profit association or foundation benefiting the general public definition

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	2003-2018	**2019**	**2020–**
Tax Reduction	60% reduction	60% reduction	
Cap	0.5% of revenues	10,000€ *or* 0.5% of revenues	
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	2003-2018	**2019**	**2020–**
Tax Reduction	60% reduction	60% reduction	60% reduction 40% reduction >2M€
Cap	0.5% of revenues	10,000€ *or* 0.5% of revenues	20,000€ *or* 0.5% of revenues
Reporting	No	Total donations >10K€	Total donations >10K€

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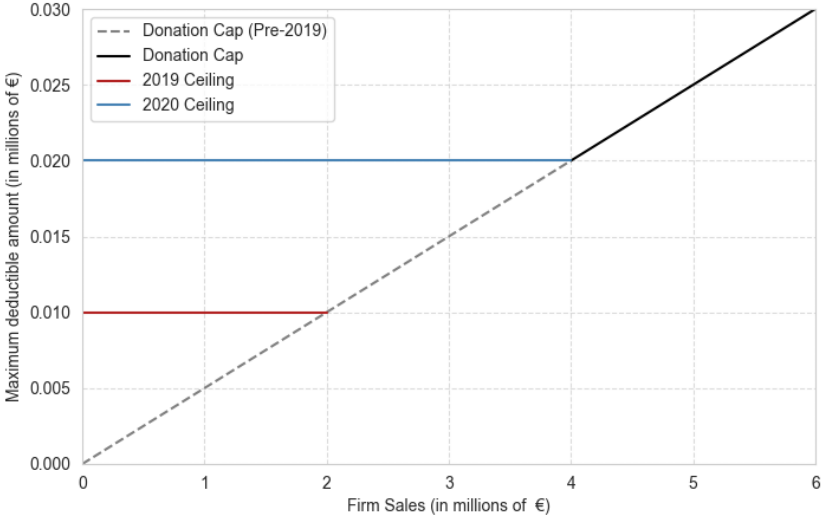
The impact of the reforms on the deductible amounts



Outline

Administrative tax data

1. **BIC** (*"bénéfices industriels et commerciaux"*): exhaustive dataset of firms' tax returns, from 2003 to 2024.
   - Average number of $2,635,855$ firms across the years (evolution).
   - Include both BIC-RN (*régime normal*) (since 2003) and BIC-RS (*régime simplifié*) (since 2010), which were reported separately before 2016.
   - Potential caveat: only firms liable to corporate tax (firms liable to income tax not included).

Administrative tax data

1. **BIC** (*"bénéfices industriels et commerciaux"*): exhaustive dataset of firms' tax returns, from 2003 to 2024.
2. **MVC Mécénat**: corporate tax credit claims regarding donations, from 2003 to 2024.
   - Average number of 54,043 firms per year, but increase in recent years (evolution).

Administrative tax data

1. **BIC** (*"bénéfices industriels et commerciaux"*): exhaustive dataset of firms' tax returns, from 2003 to 2024.
2. **MVC Mécénat**: corporate tax credit claims regarding donations, from 2003 to 2024.
3. **2069 RCI**: contains details on firms, parent companies, tax deductions and credits received, from 2019 to 2024. form
   - For firms that give $>$€10,000, detailed **reporting of the recipients of the donations**.
   - 8,882 firms included in 2019; 12,218 in 2022.
   - Excludes small donors, but accounts for the large majority of donated funds

Administrative tax data – Descriptive statistics (2022)

	Avg	Sd	p10	median	p90
Normal regime					N: 1,076,668
Sales	k€9,628	k€2,217,347	k€0	k€437	k€4,351
Assets	k€29,551	k€3,246,371	k€68	k€723	k€7,212
Profit	k€513	k€49,850	k€-50	k€21	k€410
Proba. to declare a deduction	0.09	.	.	.	.
Donation amount (cond. giving)	€26,593	€548,947	€300	€2,500	€21,672
Donation amount (detailed decla.)	€150,186	€1,880,178	€2,300	€20,564	€169,343
All corporate tax returns					N: 3,552,384
Sales	k€3,002	k€1,220,724	k€0	k€69	k€1,073
Assets	k€8,957	k€1,787,276	k€0	k€0	k€1,442
Profit	k€156	k€27,445	k€0	k€0	k€69
Proba. to declare a deduction	0.04	.	.	.	.
Donation amount (cond. giving)	€18,669	€451,639	€205	€1,610	€19,200
Donation amount (detailed decla.)	€134,453	€1,773,438	€1,100	€20,000	€150,000
2069 RCI					N: 19,511
Sales	k€303,890	k€16,466,121	k€231	k€4,950	k€85,993
Assets	k€750,622	k€18,341,859	k€0	k€5,468	k€147,496
Profit	k€11,307	k€339,532	k€-41	k€278	k€6,375
Donation amount (cond. giving)	€125,598	€1,437,646	€1,000	€18,000	€119,173
Donation amount (detailed decla.)	€131,838	€1,754,757	€1,000	€19,620	€146,650

3 sources of donated amounts: why? consistency?

1. **Accounting** source [BIC]
   - Firms can declare a donation either as an operating cost or as an exceptional cost.
   - *Problem*: the amount observed is the amount donated, but for a subset of firms only.

2. **Fiscal** source from tax credit declaration [MVC Mécénat]
   - *Problem*: the amount observed is not the amount donated, but the amount of the tax credit red_j
   - Amount donated $d_j = \frac{red_j}{\tau}$, where $\tau = 0.60$ is the tax credit rate.

3. **Detailed** source [2069 RCI]
   - Donations above €10,000 are reported in detail starting in 2019.

graph

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   → most comprehensive, but not relevant for observing donation behavior

3. **Detailed** source [2069 RCI]
   - Donations above €10,000 are reported in detail starting in 2019.

   → include the bulk share of donations (cf. very highly skewed distributon)

graph

"2069 RCI" declarations and giving recipients

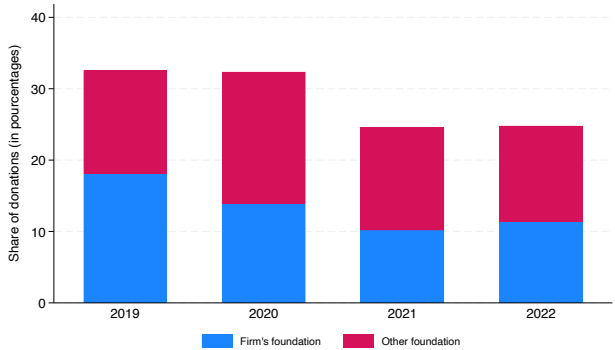
- From the 2069-RCI data, we recover the name and identifier of the **recipients**, that we merge with the information contained in the French national **directory of associations** ("Répertoire National des Associations" – RNA).
  - Repository of all the non-profit organizations (see e.g. Urvoy, 2025; Cagé, Hengel and Huang, 2023).
  - By law, all French non-profit organizations are included in this dataset, which contains a unique identifier for each of them, as well as their stated purpose.
- $\approx 44,660$ recipient charities per year in the 2069-RCI data. evolution
- **Unique data:** the existing literature (both on individual and on corporate donations) tends to lack information on the recipients.

Classification of the non-profit organizations depending on their purpose

Methodology

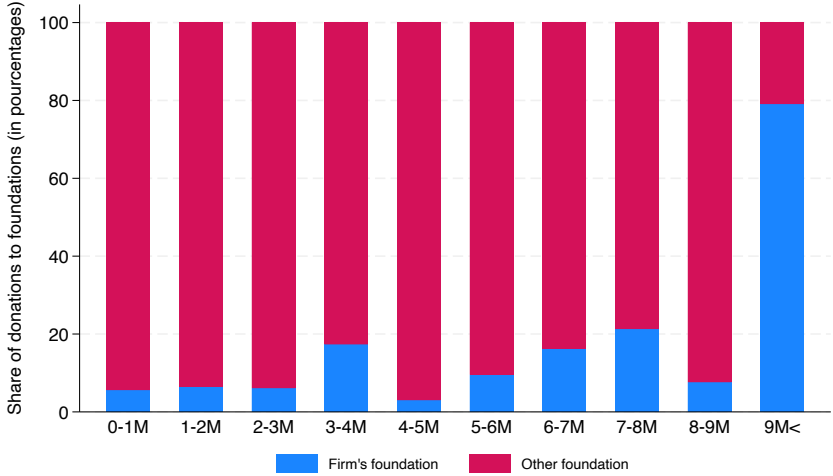
1. Manually labeled a subset of randomly-drawn $1,600$ charities, using two sets of two annotators (each in charge of 800 charities). examples
   - Conflicts between assigned labels were resolved by a fifth annotator.
2. We trained a Ridge Classification Algorithm on the manually labeled data and used it to predict the purpose of the remaining non-profit organizations.
   - The Ridge Classification Algorithm achieved an overall **accuracy** of **0.81**. details
3. For robustness, we also classified the associations using an **XGBoost model**, which achieved an overall accuracy of **0.70**. XGBoost

The growing importance of (corporate) foundations



- The **corporate foundations status** was introduced in 1990, but their number was multiplied by nearly four since 2003 (to reach 443 as of 2023).
  - E.g. Total, Orange, Kronenbourg, William Saurin, Vivendi, Louis Vuitton, etc.
- Corporate donations identified in our data using the "2069 RCI" information combined with the list of corporate foundations published by the Ministry of the Interior (merge on names).

Donations to foundations by level of turnover, 2022



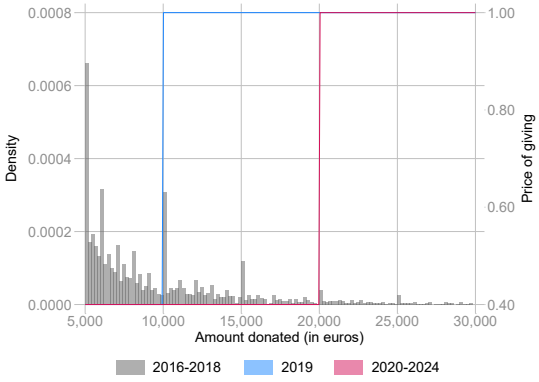
Outline

Bunching approach

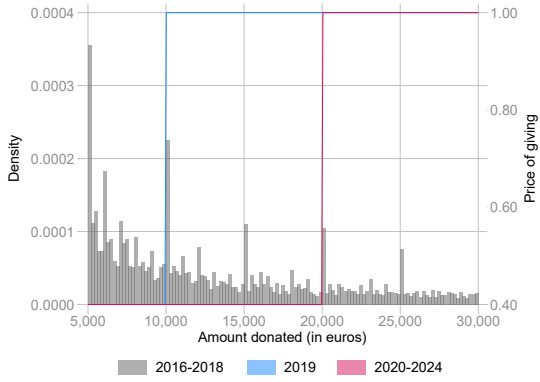
- Bunching of donation at the 10,000€ and 20,000€ kink points
  - Below vs. above the 4 million euros threshold
- Bunching of $\frac{donation}{sales}$ at the 0.5% cap.
- Estimation of the elasticity around the kink points.

Tax credit eligibility cap

(a) Sales **below** 4 million euros



(b) Sales **above** 4 million euros



- **2016-2018**: we notice **round number** bunching $\rightarrow$ firms give 10k, 15k, 20k, 25k, etc.

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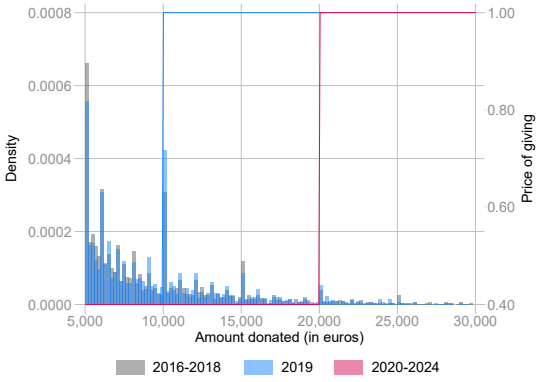
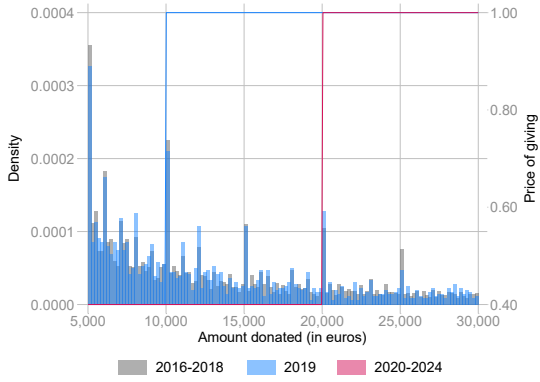


(b) Sales **above** 4 million euros



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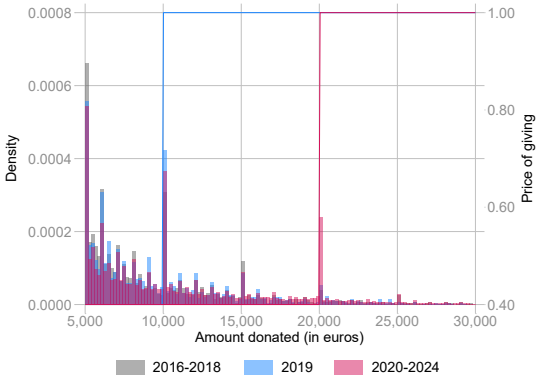
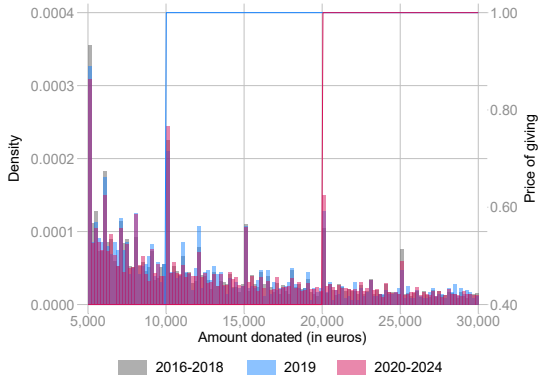


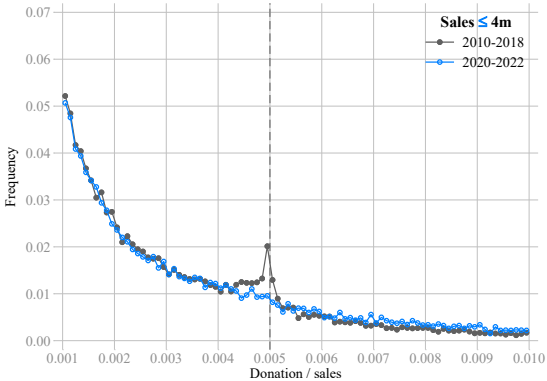
(b) Sales **above** 4 million euros



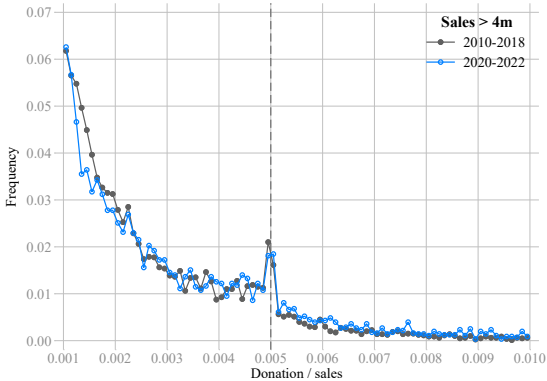
- **2016-2018**: we notice **round number** bunching $\rightarrow$ firms give 10k, 15k, 20k, 25k, etc.
- **2019**: larger mass at 10k for firms with sales $<$ 4m, smaller increase for firms with sales $>$ 4m.
- **2020-2024**: larger mass at 20k from 2020 for firms with sales below 4m; smaller increase for other firms.

Donation cap at 0.5% of revenues

(a) Sales **below** 4 million euros



(b) Sales **above** 4 million euros



- 2010-2018: bunching mass for all firms
- 2020-2024: larger mass for firms with sales above 4m.

Estimation approach

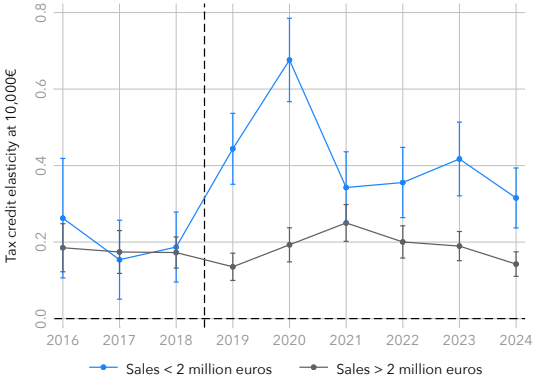
- **Elasticity** (Saez, 2010; Kleven and Waseem, 2013)

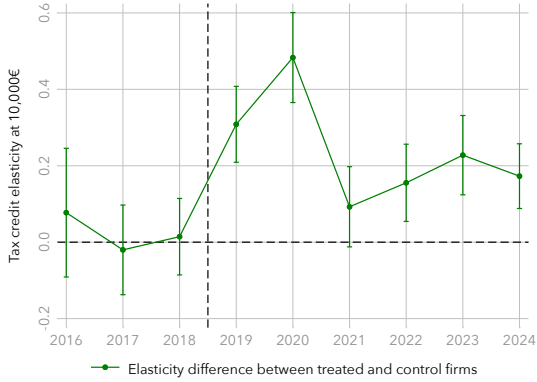
$$\text{Elasticity} = \frac{-b/z^*}{\log(1 - \frac{\Delta\tau}{1-\tau})}$$

  - b: excess mass at the threshold.
  - z^*: threshold value (€10,000 or €20,000).
  - $\Delta\tau = -0.6$: marginal tax credit rate goes from 60% to 0%.

- Estimations performed using the "bunchr" package on R, in the spirit of Kleven and Waseem (2013).
  - Fit a polynomial to estimate the counterfactual distribution
  - Separately for firms above and below 2m and 4m in revenues

Elasticity Estimates: 10k Threshold

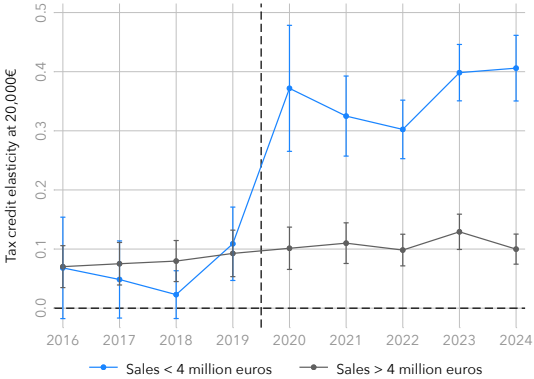


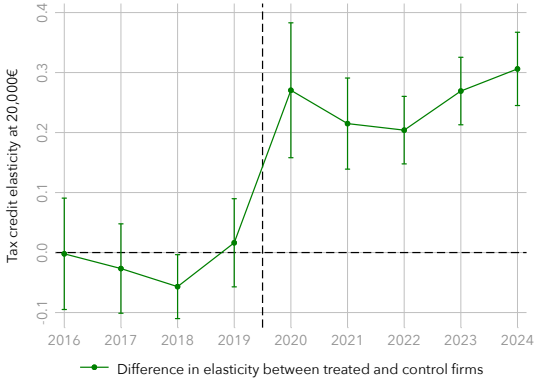


- 2016-2018: 10K is a **round number**, so estimated elasticity > 0 (≈ 0.2) – reference point, image concern?
  - Stable over time + similar for the two groups of firms.

- 2019: the elasticity starts to grow for smaller firms, while it is stable for others $\rightarrow$ the **gap** between the two groups reflects **tax-incentives driven behavioral response**.

Elasticity Estimates: 20k Threshold





- 2016-2019: **round number** bunching stable over time (≈ 0.1) + similar across groups.
- 2020-: estimated elasticity around 0.2.
- Slight decline over time: **time-shifting**? (e.g. most responsive firms wait 2020 to make a larger donation?)

Magnitude of the estimates

- Elasticities computed by combining excess **bunching** on the low-tax side with missing mass on the high-tax side of the cutoff (Kleven and Waseem, 2013).
  - E.g. in our context, in 2020, moving from the left (below €$20,000$) to the right (above €$20,000$) of the donation ceiling for firms with annual revenues $<$ €4M increases the price of a €100 donation from €40 to €100 (150% increase).

Magnitude of the estimates

- Elasticities computed by combining excess **bunching** on the low-tax side with missing mass on the high-tax side of the cutoff (Kleven and Waseem, 2013).
- Firms with revenues $<$ €2M pre-2020 and $<$ €4M post-2020 – i.e. treated firms – show **higher elasticity**, indicating a stronger response to tax reforms.
  - Over 2020-2022, treated firms at the €$20,000$ threshold have an elasticity of **0.3**, compared to **0.1** for control firms.

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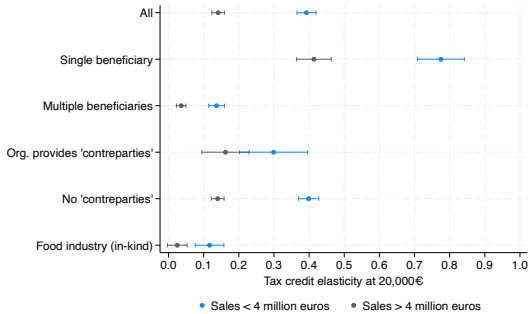
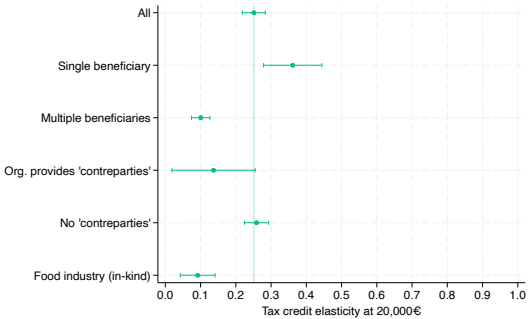
  - Over 2020-2022, treated firms at the €$20,000$ threshold have an elasticity of **0.3**, compared to **0.1** for control firms.
- Bunching for larger – control – firms (with revenue $>$ 2M€ or $>$ 4M€) at round number points toward a behavioral component in the act of giving (reference point, image concerns).
  - Allows us to recover the "pure" effect of the tax-related bunching: **10% increase in tax credit rate** $\Rightarrow$ **2% increase in amount donated** (elasticity of 0.32 for individual giving in France)

Heterogeneity by donor characteristics

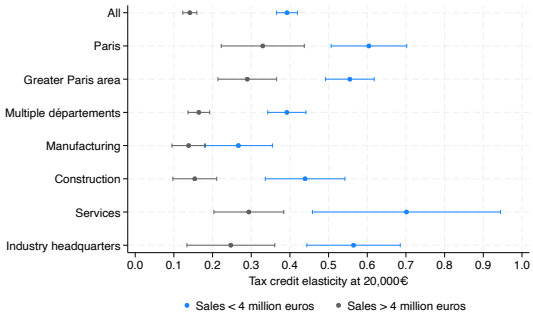


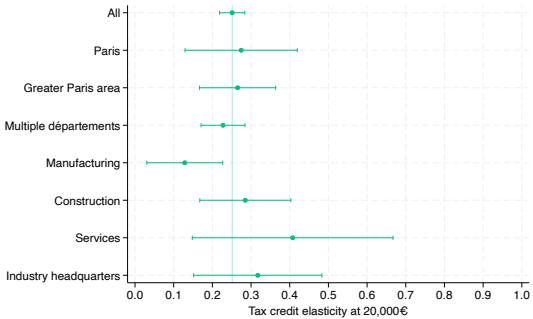


- **Image concerns**: largest 'round number bunching' for single beneficiaries, lowest for foot industry (in-kind donations at multiple dates)
- Firms giving to a **single beneficiary** are the most responsive, unlikely giving to multiple beneficiaries

Heterogeneity by donor characteristics

RCI subsample

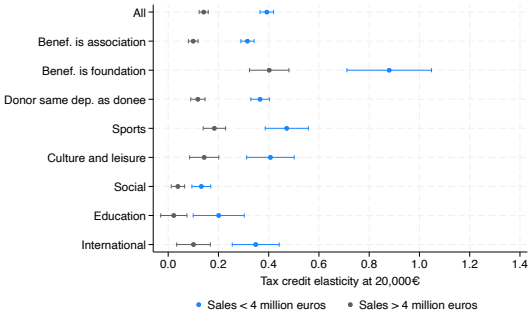


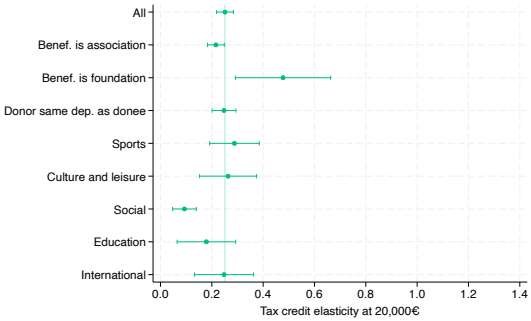


- Firms in the **services** sector are more responsive than those in **manufacturing**.
- No clear heterogeneity by firm location, but more 'round number' bunching

Heterogeneity by beneficiary characteristics

RCI subsample





- Potentially larger effect when the top beneficiary is a **foundation**, which tend to have more resources in the first place.
- Firms giving to beneficiaries classified in the '**social**' category are the least responsive, those giving to '**sport**' organizations are the most responsive.

Outline

Difference-in-Differences setting

- **Continuous treatment** = firm-specific increase in the tax-credit amount they can claim thanks to the reform.

$$\text{Treatment intensity}_j = \begin{cases} 10\,000 - 0.5\% \times \text{sales}_{2018} \text{ if } \text{sales}_{2018} < 2M \\ 20\,000 - 0.5\% \times \text{sales}_{2018} \text{ if } \text{sales}_{2018} > 2M \ \& \ \text{sales}_{2018} < 4M \\ 0 \text{ if } \text{sales}_{2018} > 4M \end{cases}$$

- **Sample**:
  - Balanced panel of firms with 2018 sales between €0.5 and €6 millions, and sales never below €0.1 million.
  - (For now) Dropping firms that are part of a group (mothers or subsidiaries).

Difference-in-Differences setting

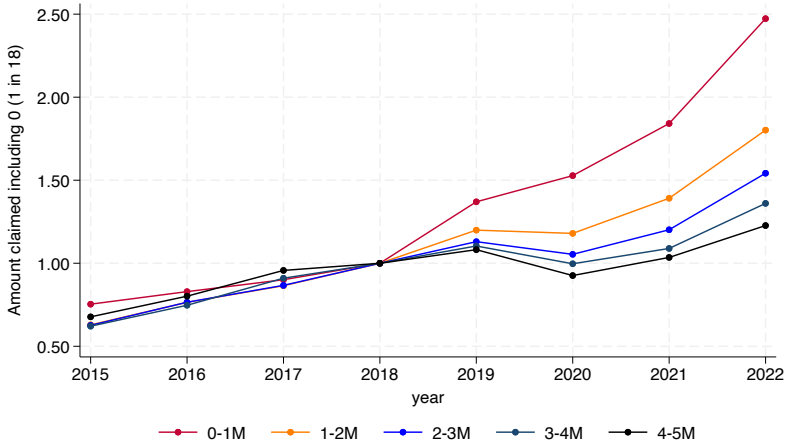
$$y_{jt} = \beta_0 + \beta_1 \text{Treatment intensity}_j \times \mathbf{1}\{t \geq 2019\} + \mathbf{X'_{jt}}\beta_2 + \mu_j + \gamma_t + \varepsilon_{jt}$$

where t index the years and j the firms.

- y_{jt} is either:
  - Probability of donating (**extensive margin**).
  - Amount claimed / assets (excluding 0 donations) (**intensive margin**).
  - Amount claimed / assets (0 if no donation) (**both margins**).
  - Robustness: amount claimed / sales (excluding 0 donations).
- Firm-level controls: $\mathbf{X}'_{j,t}$ (log of average wages; sector of activity (NAF), indicator variable for tax regime).
- Standard errors clustered at the level of the firms.

Raw parallel trends in a discrete setting: by level of 2018 sales

Both margins



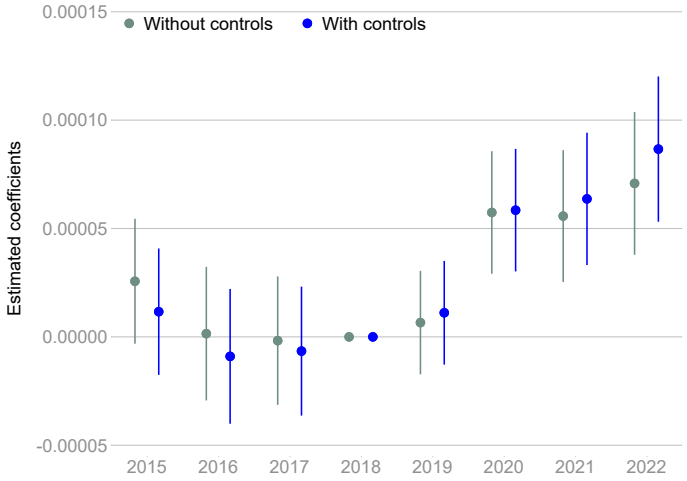
Results

	Donations/assets×100		Donations/assets×100 (excl 0)	
	(1)	(2)	(3)	(4)
Treatment intensity × Post	0.004***	0.006***	0.046***	0.047***
	(0.001)	(0.001)	(0.006)	(0.006)
Year FE	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓
Controls		✓		✓
Observations	1,856,910	1,854,482	212,902	212,792
Cluster(firms)	239,160	239,158	49,903	49,902
Mean Dep Var	0.034	0.034	0.270	0.270
Sd Dep Var	0.171	0.171	0.394	0.394

Magnitude: a €1 increase in the treatment intensity led to a 0.047 percentage-point increase in the average share of assets donated to charities, corresponding to 17.4% of the mean.

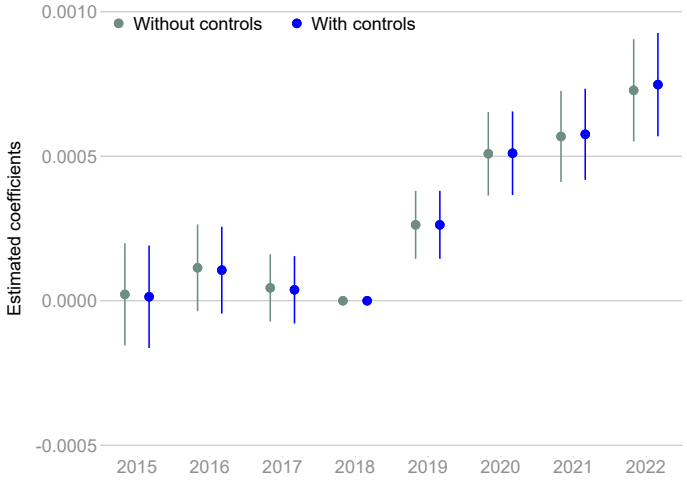
Difference-in-Differences over time

Amount claimed / assets (0 if no donation)



Difference-in-Differences over time

Amount claimed / assets (excluding donation=0)



Outline

Next steps

1. Estimate impact of 2019 **change in tax credit rate** for donations above €2 millions
    - So far, no evidence of bunching after the reform
    - Suggests firms are most responsive for lower amounts

Next steps

1. Estimate impact of 2019 **change in tax credit rate** for donations above €2 millions

2. Estimate impact of 2019 **reporting requirement** for firms contributing more than €10K; contribute to bunching at 10K?

    - While existing studies on how reporting affects giving by individuals, firms may not react similarly.

Next steps

1. Estimate impact of 2019 **change in tax credit rate** for donations above €2 millions
2. Estimate impact of 2019 **reporting requirement** for firms contributing more than €10K; contribute to bunching at 10K?
3. Improve our understanding of optimization behavior for **firms that are part of a group**.
   - Studying conjointly the mothers and the subsidiaries, identified thanks to the PERIM ("périmètres des groupes fiscaux") data.

Next steps

1. Estimate impact of 2019 **change in tax credit rate** for donations above €2 millions
2. Estimate impact of 2019 **reporting requirement** for firms contributing more than €10K; contribute to bunching at 10K?
3. Improve our understanding of optimization behavior for **firms that are part of a group**.
4. Include firms liable to the **income tax**.
   - And ideally estimate extent of substitutability between corporate and individual donations.

Next steps

1. Estimate impact of 2019 **change in tax credit rate** for donations above €2 millions
2. Estimate impact of 2019 **reporting requirement** for firms contributing more than €10K; contribute to bunching at 10K?
3. Improve our understanding of optimization behavior for **firms that are part of a group**.
4. Include firms liable to the **income tax**.
5. Using information on recipients for large donors, study role played by **corporate foundations** in corporate philanthropy.
   - E.g. extent to which the Louis Vuitton company contributes mostly to the "Louis Vuitton Foundation for Creation."

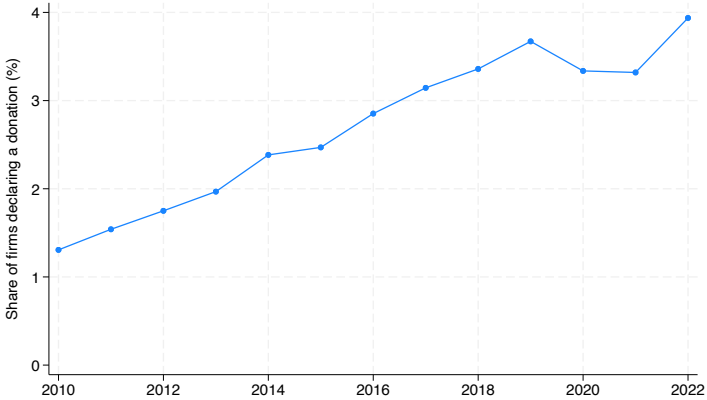
Conclusion

- (Not surprisingly) firms respond to tax incentives for charitable giving... but the elasticity varies with the purpose of the charity.
- This paper: first attempt at estimating the tax-credit elasticity of corporate giving, using exhaustive administrative tax data.
  - Show that firms mostly respond at the intensive margin.
  - And that the response is driven by firms that optimize their tax bill (bunching).
- Document heterogeneity of tax-price elasticity depending on the purpose of the beneficiaries.
  - Unique data on the recipient side allow us to better document the political economy of giving.
  - But much more still to be done!

Thank you for your attention!

Share of firms reporting a charitable contribution on their tax form

Including both RN and RS

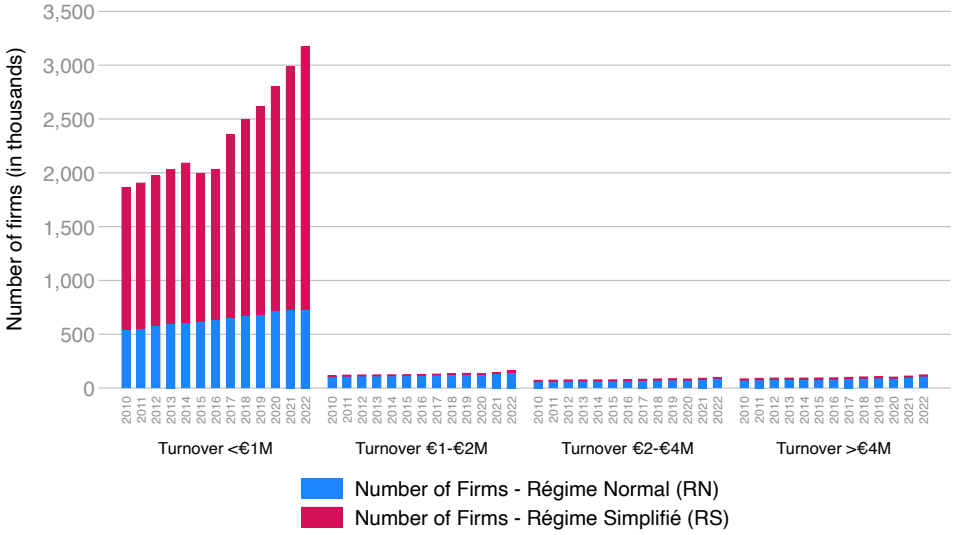


Source: authors' computations from administrative tax data (BIC-RN & BIC-RS for total # of firms & MVC Mécénat for # of donors). back

Companies taxed under the simplified actual scheme ("régime réel simplifié") are those whose turnover is (i) between €188,700 and €840,000 for trading activities and the provision of accommodation, and (ii) between €77,700 and €254,000 for service providers.

Number of firms in the sample depending on turnover

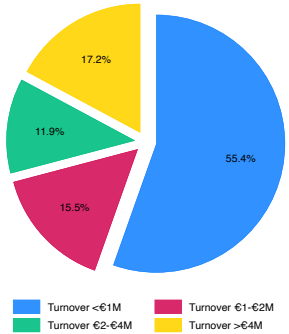
back



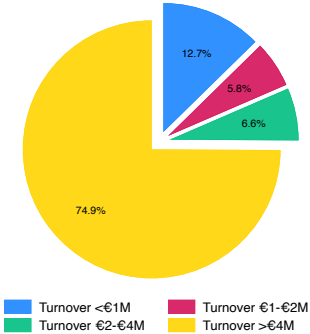
Share of donors / Overall donations depending on turnover

back

Share of total number of donors depending on turnover



Share of total amount given depending on turnover



Tax deductions for corporate contributions – 1987 Loi Léotard

back

- The *Loi Léotard* of 1987 created the first tax incentives for charitable donations in France and laid the groundwork for the current tax framework.

- It allowed firms to claim **tax deductions** for charitable contributions up to 0.2% of their taxable income for donations to public interest organizations (e.g., philanthropic, educational, environmental, etc).
  - The limit increases to 0.3% for donations to certain higher education or artistic institutions.

- It also established the criteria for eligible charitable organizations, stipulating that beneficiary associations and foundations must be of general interest, with philanthropic, educational, scientific, artistic, or social purposes.

- It introduced a provision allowing firms to spread donations exceeding this cap over five years.

Tax deductions for corporate contributions – 2003 Loi Aillagon

back

- The 2003 *Loi Aillagon* significantly enhanced the generosity of tax incentives and established the structure that remains in use today.

- It provided a 60% non-refundable tax reduction for corporate charitable contributions, capped at 0.5% of the firms' annual revenues.

NPOs that can benefit from corporate donations: Definition

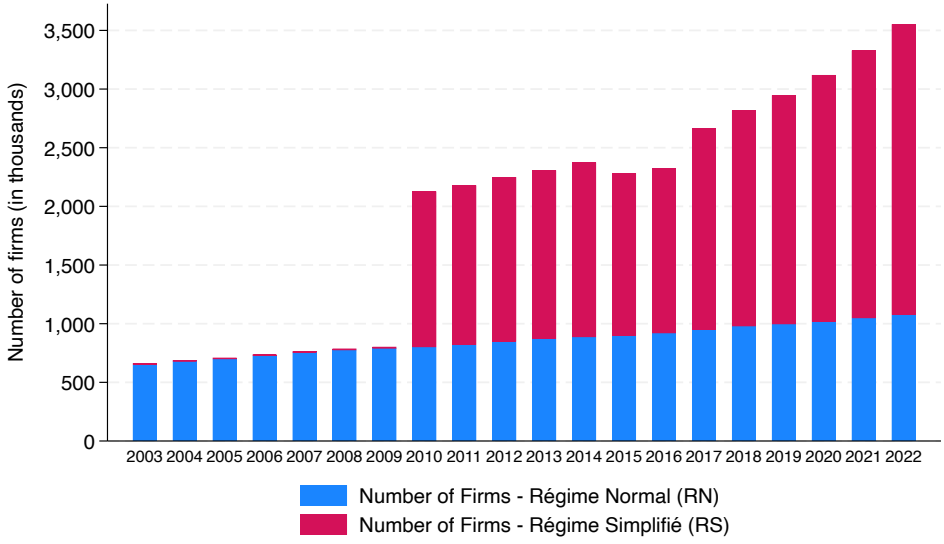
back

To qualify for tax reductions, donations must be made to general interest organizations, i.e. non-profit organizations that do not benefit a restricted circle of people.

- General-interest organizations (*organismes d'intérêt général*) with a philanthropic, educational, scientific, social, humanitarian, sporting, family or cultural character.
- General-interest organizations contributing to the enhancement of the artistic heritage, the defense of the natural environment or the dissemination of French culture, language and scientific knowledge.
- General-interest organizations contributing to equality between women and men
- Public utility foundations or associations (*fondations ou associations reconnues d'utilité publique*).
- Public or private higher education or art education establishments of general interest and non-profit-making.
- Consular higher education establishments for their initial and continuing vocational training and research activities.
- Endowment funds engaged in activities of general interest (*fonds de dotation exerçant des activités d'intérêt général*) ; etc.

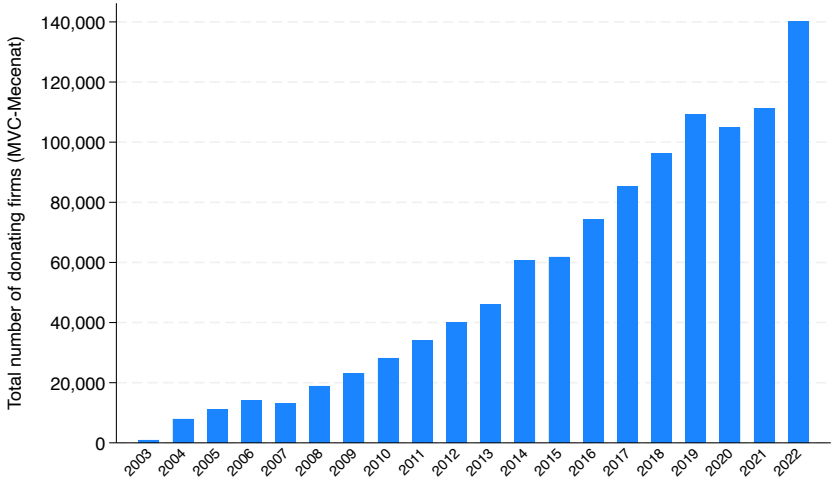
Number of firms in tax data (BIC)

back



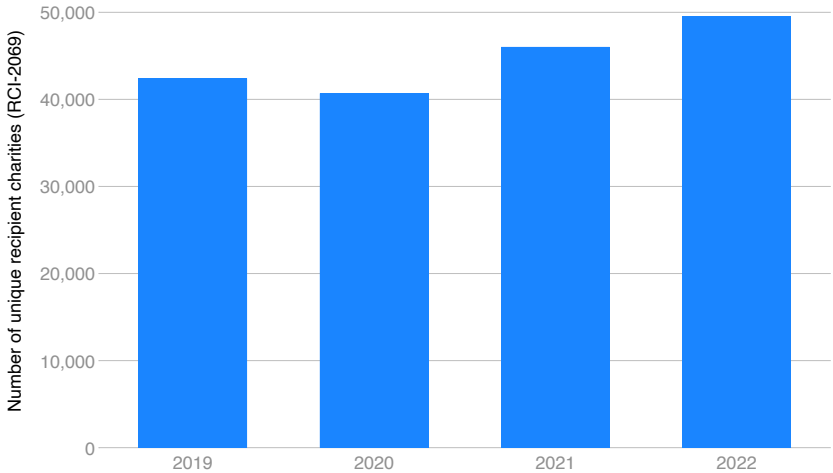
Total number of donating firms (MVC-Mecenat)

back



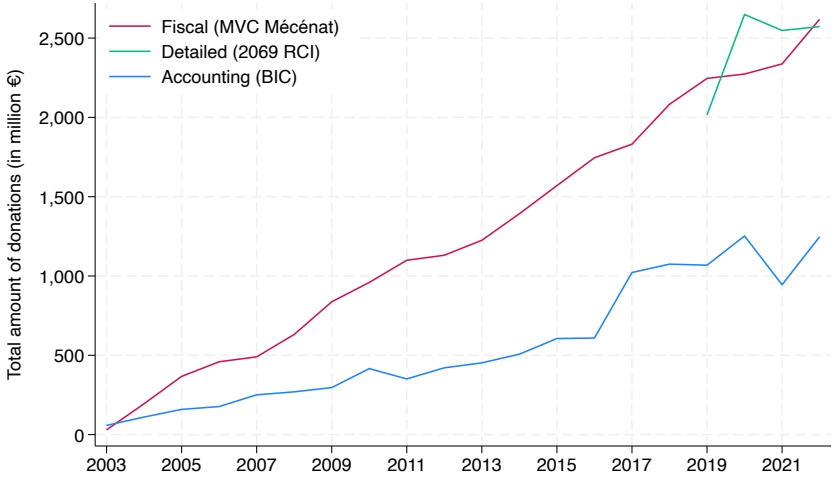
Total number of recipient charities (2069-RCI)

back



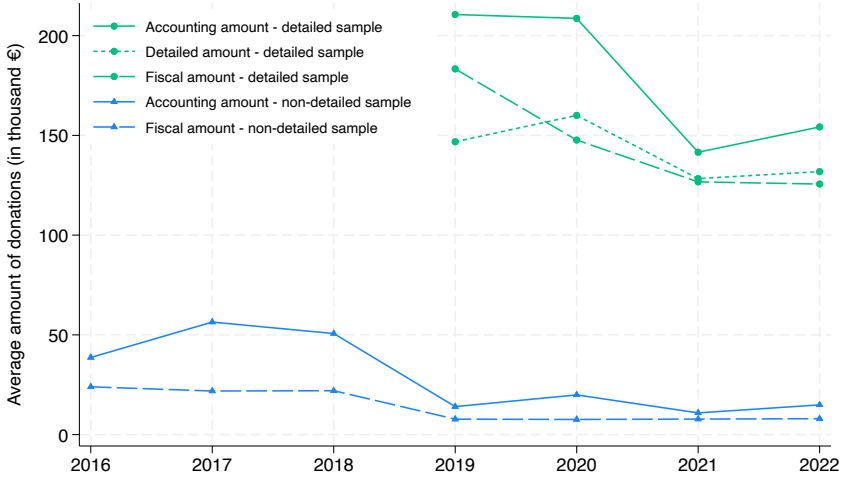
Comparison of the three sources of donation

back



Average donation by sample

back



"2069 RCI" form

back

Annexe à la 2069-RCI-SD pour les entreprises ayant effectué au cours de l'exercice plus de 10 000 € de dons et versements ouvrant droit à la réduction d'impôt prévue à l'article 238 *bis* du code général des impôts.

III – MÉCÉNAT – LISTE DES BÉNÉFICIAIRES FINAUX[5]										
Montant des dons	Date de versement	Bénéficiaire[6]				Intermédiaire[6]				Valeur de la contrepartie[7]
		N° d'identification[8]		Nom	Adresse	N° d' identification[8]		Nom	Adresse	
		N° SIREN	N° RNA			N° SIREN	N° RNA			

[5] Tableau à remplir pour les entreprises assujetties à l'impôt sur le revenu ou à l'impôt sur les sociétés ayant effectué au cours de l'exercice plus de 10 000 € de dons et versements ouvrant droit à la réduction d'impôt en faveur du mécénat prévue à l'article 238 bis du code général des impôts (BOI-BIC-RICI-20-30-40, § 40 et suivants).

[6] L'entreprise se fait communiquer par l'organisme qui n'intervient qu'à titre de simple collecteur de fonds, l'identité du bénéficiaire final ainsi que le montant et la date des versements correspondants et, le cas échéant, la valeur des biens et services reçus, directement ou indirectement, en contrepartie. Lorsque l'entreprise effectue des dons et versements à un fonds de dotation, l'entreprise versante déclare à l'administration fiscale l'identité du fonds de dotation qui intervient comme intermédiaire, ainsi que le montant et la date des dons et versements correspondants et, le cas échéant, la valeur des biens et services reçus, directement ou indirectement, en contrepartie (cf §70 du BOI-BIC-RICI-20-30-40).

Ridge Classification Algorithm

back

- **Ridge Classification:** linear classification model, based on the Ridge Regression, designed for multi-class classification tasks.
- Useful for text classification, as it efficiently handles high-dimensional feature spaces common in text data.
- Manages multi-colinearity between features, ensuring more robust and generalizable model.
- Often used in finance, medicine and computer sciences (Pooja 2023; Periera et al, 2016).

Performance of the classifier

back

	Accuracy	Precision	Recall	F1-score
CamemBERT (Title and Object)	0.84	0.85	0.83	0.84
Ridge Classifier (Object only)	0.7962	0.7948	0.7751	0.7768
XGBoost (Object only)	0.7134	0.7149	0.7127	0.7071
Ridge Classifier (Title and Object)	0.8089	0.8268	0.7856	0.7902
XGBoost (Title and Object)	0.7134	0.7085	0.7008	0.6947

XGBoost

back

- **XGBoost** (Extreme Gradient Boosting) is an ensemble learning algorithm that builds decision trees sequentially (Chen and Guestrin, 2016).
- Uses gradient boosting, where each new decision tree corrects the errors of the previous ones, making it effective for complex classification tasks.
- Performs well on high-dimensional datasets by capturing non-linear relationships between words and optimizing feature importance.
- Used in economics and computer sciences (e.g. Qi 2020; Conway & Boxell 2024).

Classification of the NPOs depending on their purpose

back

Examples

- The charities included range from **small, local charities** such as:
  - *"Saint-Claude Athléthisme"* (sport);
  - *"Lycée collège Pierre Larousse"* (education).
  - *"Pau d'Peinture"* (culture).
    - "To promote graphic arts (painting, drawing) for local amateurs and professionals by organizing, through an associative framework, an annual event in Pau: a competition highlighting works that represent or are inspired by the city's heritage and Paloise life. To support amateur art exhibitions throughout the year, providing artists with access to affordable exhibition spaces..."

Classification of the NPOs depending on their purpose

back

Examples

- The charities included range from **small, local charities** such as:
  - *"Saint-Claude Athléthisme"* (sport);
  - *"Lycée collège Pierre Larousse"* (education).
  - *"Pau d'Peinture"* (culture).
- to **much larger ones**:
  - *"Ligue Contre le Cancer"* (health);
  - *"Institut Montaigne"* (politics).
    - "To be a space for reflection, free and independent of any political or economic constraints, structured around working groups that bring together representatives of civil society (intellectuals, academics, experts, business leaders, qualified individuals, etc.) to address a wide range of topics. To develop and disseminate concrete long-term proposals based on a rigorous and critical analytical method, drawing in particular on relevant foreign experiences..."

Classification of the NPOs depending on their purpose

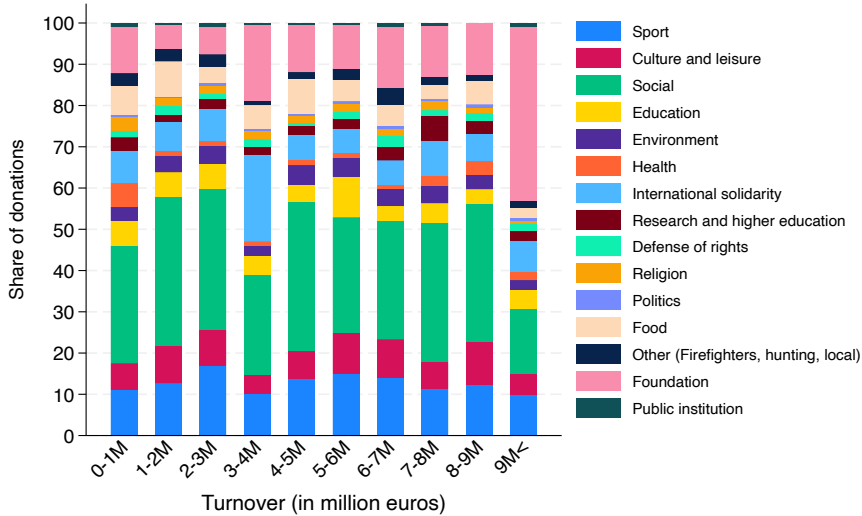
back

Examples

- The charities included range from **small, local charities** such as:
  - *"Saint-Claude Athléthisme"* (sport);
  - *"Lycée collège Pierre Larousse"* (education).
  - *"Pau d'Peinture"* (culture).
- to **much larger ones**:
  - *"Ligue Contre le Cancer"* (health);
  - *"Institut Montaigne"* (politics).
- Generated purpose for all the recipients that we can merge to non-profit organizations in the RNA (the RNA is exhaustive but the 2069-RCI poorly filled, and we had to merge most often on names).

Charity purposes: Share of total amount received by turnover, 2022

back



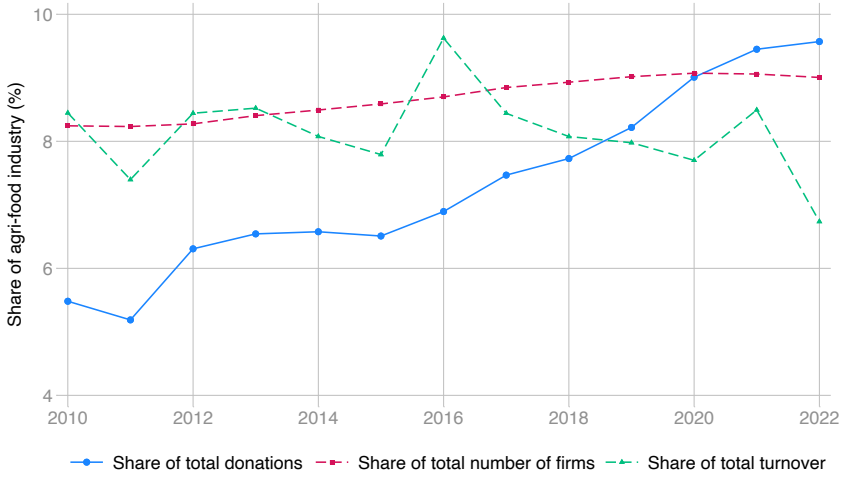
The growing importance of in-kind donations

In particular to food banks

- Corporate donations data include not only “cash giving” but also “in-kind giving,” in particular, **food donations** (*denrées alimentaires)*.
  - In-kind donations simply consist in the material delivery of a good (a work of art, for example), a service or a building (a house, land).
  - The valuation corresponds to the purchase price of the good or, in the case of second-hand property, the price at which the donor could have resold the good.
  - For food donations, valuation varies depending on use-by date.
- As part of the fight against food waste, 2018 “EGalim Law” extended to food industry operators the obligation to enter into an agreement with an association authorised to receive food donations.

  $\Rightarrow$ Food donations fully eligible to the tax credit.

Growing share of donors from the agri-food industry

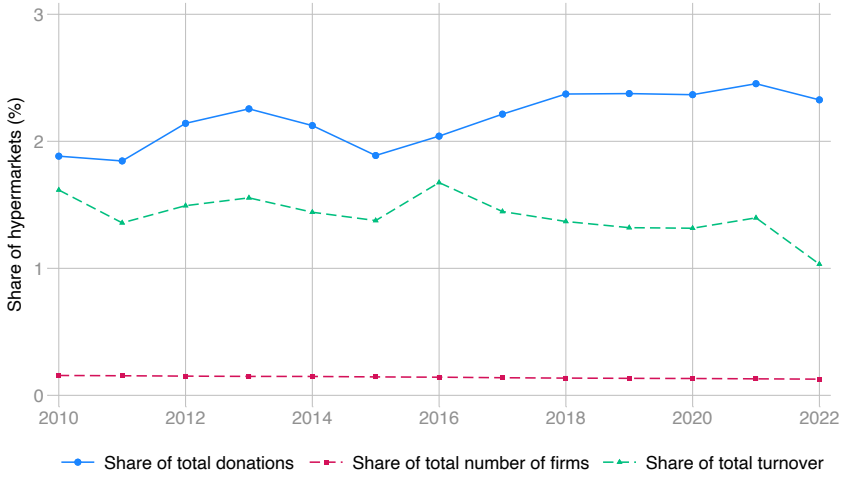


hypermarkets

Growing share of donors from the agri-food industry

back

Considering only hypermarkets

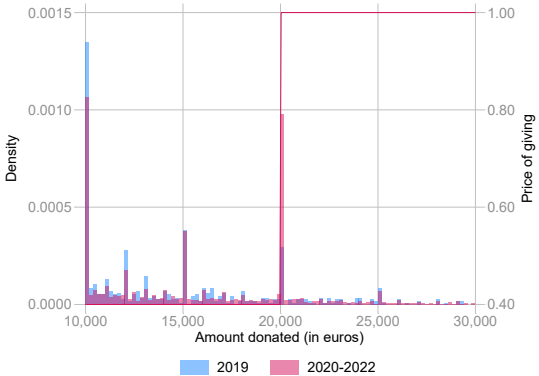


Bunching by beneficiary characteristics

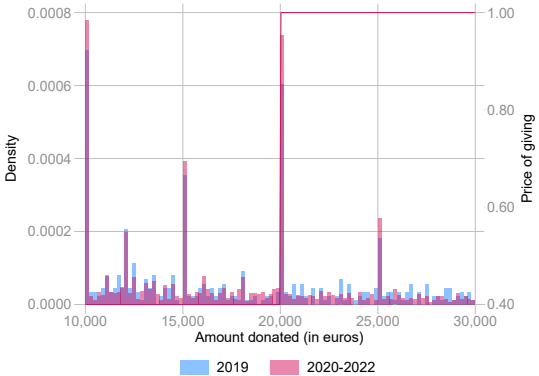
back

Figure: Give to a single organization

(a) Sales below 4m



(b) Sales above 4m

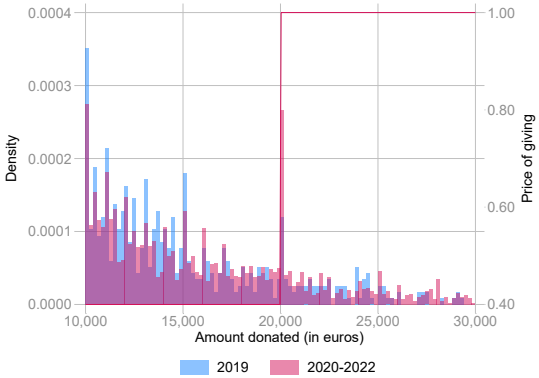


Bunching by beneficiary characteristics

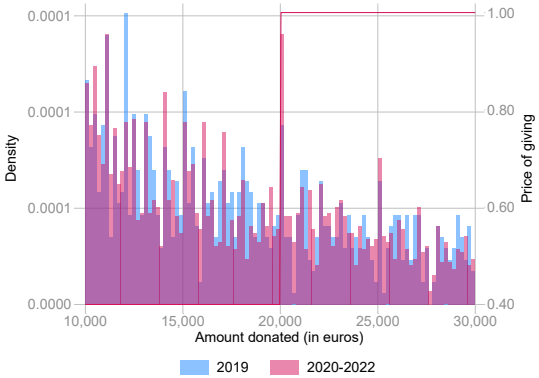
back

Figure: Give to multiple organizations

(a) Sales below 4m



(b) Sales above 4m

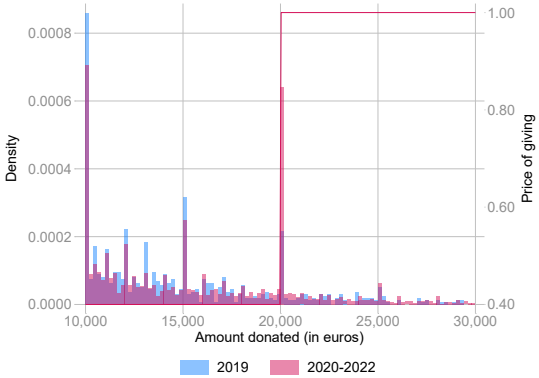


Bunching by beneficiary characteristics

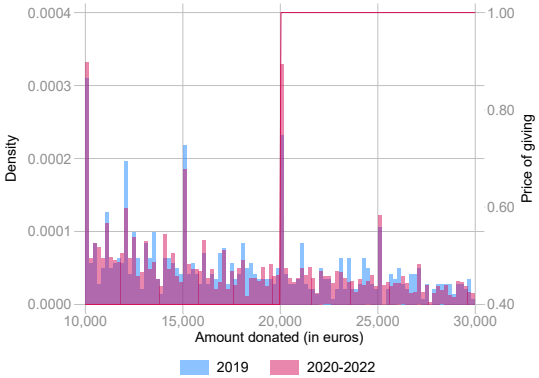
back

Figure: Top beneficiary is local (operates in a single *département*)

(a) Sales below 4m



(b) Sales above 4m

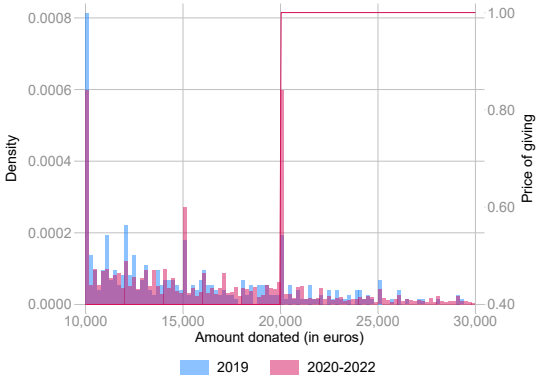


Bunching by beneficiary characteristics

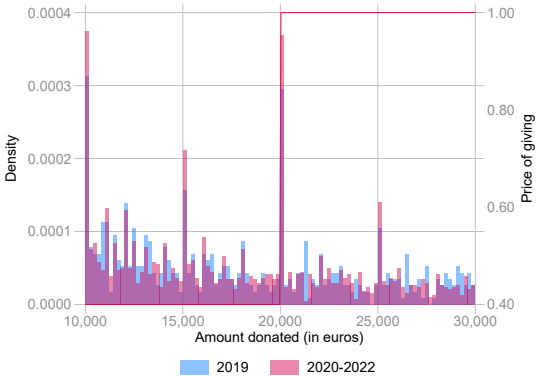
back

Figure: Top beneficiary operates in multiple *départements*

(a) Sales below 4m



(b) Sales above 4m

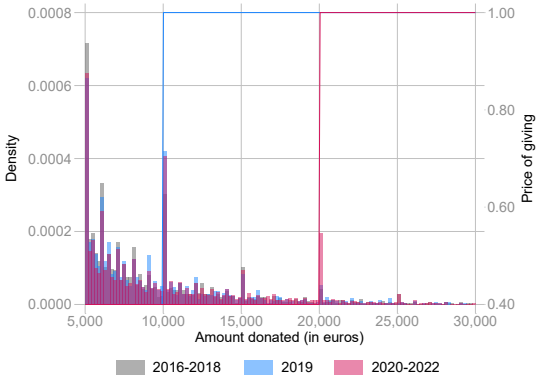


Bunching by firm characteristics

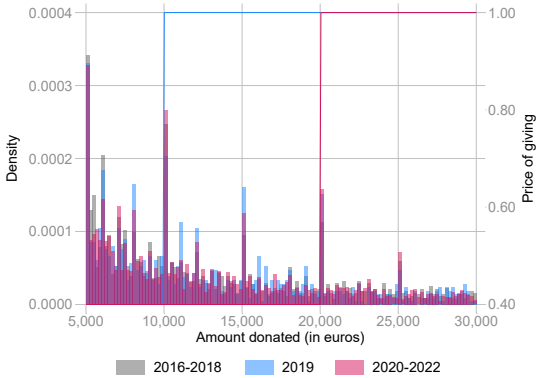
back

Figure: Donor is a SME

(a) Sales below 4m



(b) Sales above 4m

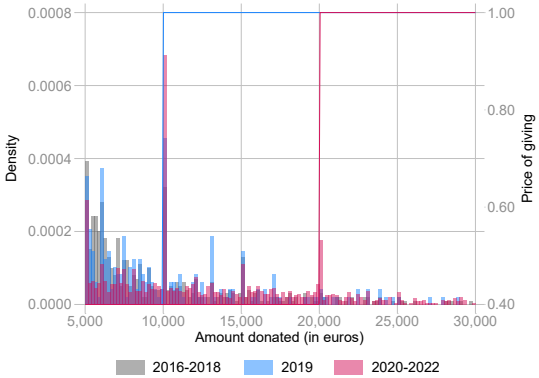


Bunching by firm characteristics

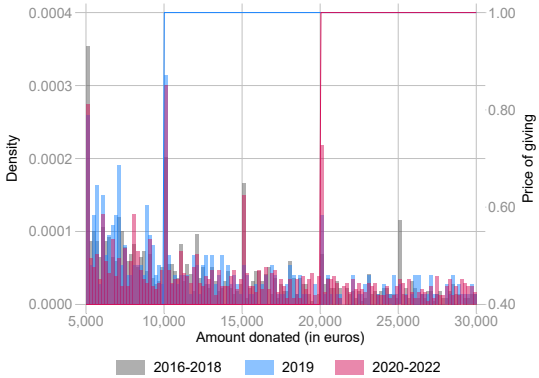
back

Figure: Donor is a large firm

(a) Sales below 4m



(b) Sales above 4m

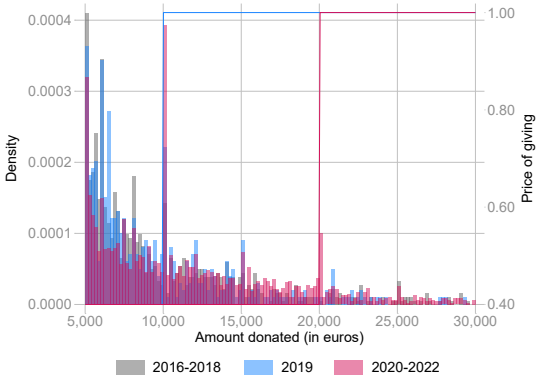


Bunching by firm characteristics

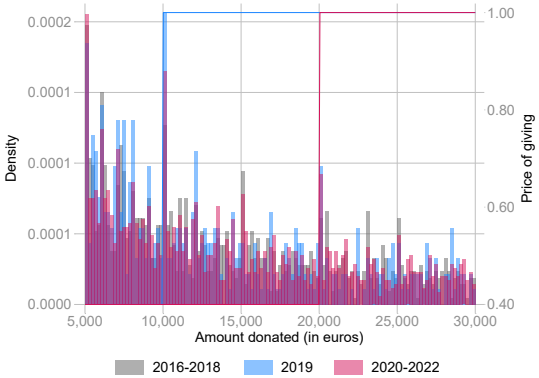
back

Figure: Donor is in wholesale or retail

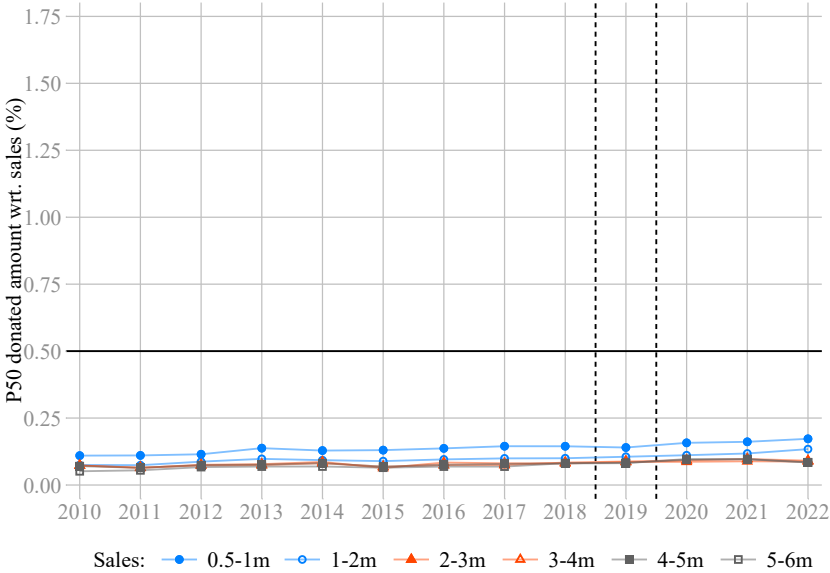
(a) Sales below 4m



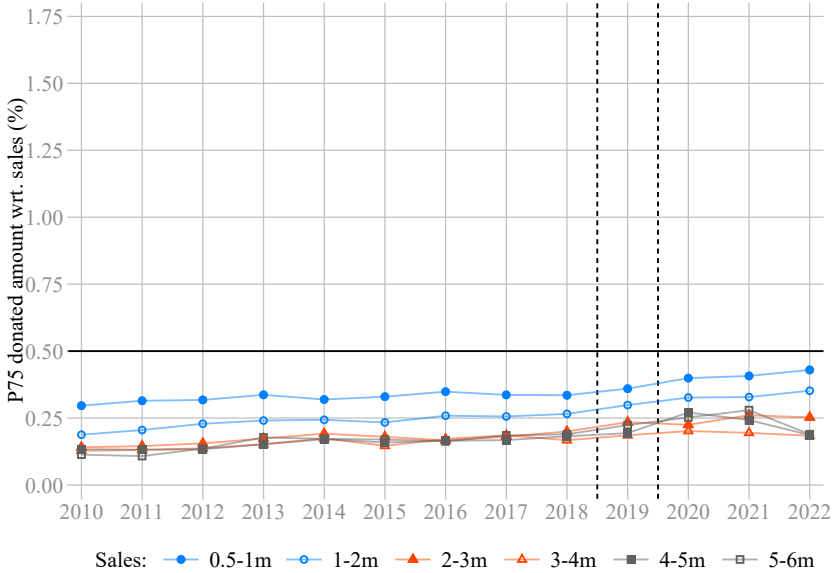
(b) Sales above 4m



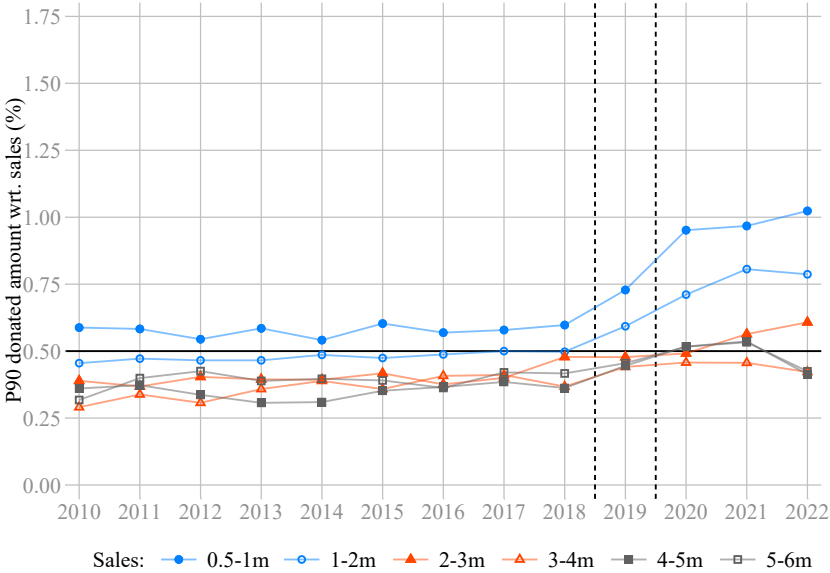
Where are the bunchers coming from?



Where are the bunchers coming from?



Where are the bunchers coming from?



Where are the bunchers coming from?