

The price elasticity of charitable contributions in a tax-benefit system

: A censored quantile regression approach

Abstract

This paper estimates the effect of tax incentive for charitable contributions in a tax-benefit system using Korean household level panel data over the period from 2007 to 2016. We use a censored quantile regression method and we find the following. First, households tend to be more sensitive to tax incentives under tax deductions than tax credits. However, the top five percent are indifferent between the two systems. Second, we show the existence of heterogeneity in the taxpayers' behavior which small donors are more tax-sensitive than high donors.