

# Time is money, especially when it comes to giving

April 15 2019, by Patty Wellborn

---



Ross Hickey is an associate professor of economics at UBC Okanagan. Credit: UBC Okanagan

Would you be more likely to donate to charity if you could report the gift sooner on your taxes? According to a new article published in the

*National Tax Journal*, the answer is yes.

Researchers from UBC Okanagan, University of Melbourne and the University of Guelph found that changing the deadline for donations closer to tax time increased donations by nine per cent.

The team used a 2010 policy experiment in Quebec as their basis. As a way to encourage giving in support of Haiti earthquake relief, the province allowed residents to claim their donations early.

The earthquake struck in January, meaning donors would typically wait until April 2011 to claim the gifts on their tax return. Quebec let residents claim the donations on their 2009 provincial tax returns, a move not followed by other provinces.

In what the researchers describe as a 'quasi-natural experiment,' the team constructed control groups using data from homes across the country and considered factors such as average incomes, percentage of French speakers, and number of people with Haitian ancestry.

"We wanted to make sure our results were as if nothing else affected donation behaviour other than the [policy change](#)," says Ross Hickey, an associate professor of economics at UBC Okanagan and co-author of the study. "If you were to ask a random sample of Canadians how much of a reduction in their taxes they would get if they were to donate another dollar to charity—most Canadians don't know."

In British Columbia, the combined federal and provincial tax credits for donations \$200 and under is 20 per cent. That means a dollar donation would cost 80 cents if paying both provincial and [federal taxes](#).

"When we look at the Haiti case, people would have to wait one year and four months to get that money back and consume that 20 cents on the

dollar everywhere outside of Quebec," says Hickey. "Those in Quebec got their provincial tax credit back only three months later—and because people value a dollar today more than a dollar a year from now—it reduced the cost of giving."

Extending the deadline for charitable giving closer to when taxpayers file isn't a new idea. Proposals have been made in Canada to move the date—but have yet to be successful.

Although Hickey doesn't dispute current policies are working to encourage giving, he says some adjustments, including a deadline extension, would provide extra encouragement.

"We could be increasing the amount that's given to the charity sector," says Hickey. "I think part of the problem is that we maintain the status quo and aren't really having a conversation about the true objective of charitable tax credits, which is to encourage giving. What this research shows is that there is real money being left on the table."

**More information:** Ross Hickey et al, The Sensitivity of Charitable Giving to the Timing and Salience of Tax Credits, *National Tax Journal* (2019). [DOI: 10.17310/ntj.2019.1.03](https://doi.org/10.17310/ntj.2019.1.03)

Provided by University of British Columbia

Citation: Time is money, especially when it comes to giving (2019, April 15) retrieved 26 June 2024 from <https://phys.org/news/2019-04-money.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.