Corporate philanthropy and tax incentives: Insights from French tax return data

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\textbf{Résumé}

As Kitzmueller and Shimshak (2012) point out, the economic literature about corporate philanthropy has first focused on whether it made sense for companies to contribute to the provision of public goods. Friedman (1970) argued that firms’ only motive should be profit maximization. However, policy makers of several developed countries, among which France, answered this question years ago when introducing favorable tax treatments of corporate philanthropy, thus actively incentivizing firms to contribute to the provision of public goods. I first document the evolution of the tax treatment of corporate giving in France, and stressing its increasing generosity since the 1970s. First, the price of giving has experienced a decline since 1979, going from 1 to .4, and, second, the cap to the amount of donations that can be subject to a favorable tax treatment has steadily increased.

Using tax returns data that contain information about the amount of charitable giving of each firm from 2000 to 2016, I find that, over the period, the number of firms making a charitable contribution, as well as the median and total amount of gifts have steadily increased in spite of the outbreak of the Great Recession. I also analyze the characteristics of giving firms, in terms of size, sector and geographical location.

I also try to test whether firms respond to the tax incentives set by the state. The contribution cap of 5 per thousand of sales implies that the marginal subsidy rate for contributions goes from 60 percent to 0 at this point, thus creating a kink in the schedule. I graphically show that some firms do bunch at this kink point, evidencing a behavioral response to the favorable tax treatment.

\textbf{Mots-Clés:} philanthropie, taxes, incitations, entreprises

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