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Giving to Government: Voluntary Taxation in the Lab

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Giving to Government: Voluntary Taxation in the Lab*

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Giving to Government: Voluntary Taxation in the Lab*

Abstract:

In the United States, there is widespread antipathy toward taxation, yet at the same time there are substantial voluntary donations to nonprofit organizations with missions that are parallel to those of many government agencies. In this paper we compare giving in the form of voluntary taxes paid to government agencies with giving in the form of voluntary donations to nonprofit organizations that have similar missions. In a laboratory experimental setting, subjects are given an endowment, and are given the opportunity to donate any part of the endowment to a government agency or to a nonprofit organization. We compare levels of giving to private and government organizations for four different causes (cancer research, disaster relief, education, and parks and wildlife) at three levels of government (federal, state and local). Within a session, subjects make 12 decisions: they complete all six separate decisions for each of two causes, selected randomly from the four listed above. We find that people are *not* averse to giving to government. On average, they give 22 percent of their budget to government when anonymity is ensured and giving is completely voluntary. However, they do show a preference for nonprofit charities by giving higher amounts for most causes and levels of government. The willingness to give is influenced by the cause and level of the organization, as well as perceptions of the organization.

JEL codes: H2, D64, C91

Giving to Government: Voluntary Taxation in the Lab

I. Introduction

Giving USA 2007 reports that for 2006, giving to nonprofit organizations totaled \$295 billion, 2.2 percent of Gross Domestic Product. The largest share (33 percent) of this giving went to religious congregations. The categories of education, health, and human services each received about 10 percent of the total. Approximately 75 percent of the total came from individual donors. In the same year, the combined federal, state, and local governments had current expenditures of \$4,130 billion, approximately 31 percent of Gross Domestic Product (Economic report of the President 2008). Many of the government agencies funded by these outlays have missions that mirror or overlap with the missions of many nonprofit organizations. While government agencies and nonprofit organizations often serve the same constituent bases with the same end goals, the means by which their respective activities are financed are perceived very differently. Paying taxes is vilified by individuals who, at the same time, freely contribute to nonprofit causes.

What underlies this antipathy? Three possible explanations come to mind. First, distaste for government and taxes may reflect a belief that a government organization is inferior to its private counterpart, either because it is relatively inefficient, or because private managers are better able to accomplish specific goals as compared to government managers; i.e., the nonprofit agency can better achieve the desired goal more effectively or at lower cost than can its government counterpart.¹ Second, such distaste may reflect the coercive nature of taxes versus the voluntary nature of contributions. That is, an individual may perceive a government agency as equal to, or better than, the nonprofit counterpart, but reject being forced to pay. Third, difference in attitudes towards taxes and charitable giving may reflect

¹ Numerous studies have found private sector operations to be more cost-effective and more efficient than public sector operations (see Mueller, 1989, for a review of the literature).

individuals' desire to control the use of their funds.² In the case of charitable contributions, people can make their own decisions on the social programs or causes to send support, whereas for taxes, taxpayers seldom get chances to earmark their tax payments for government agencies that serve the causes they desire.

In this study we use laboratory experiments to control for the latter two while examining the first explanation. In our experiments, giving is voluntary, so coercion is absent, and subjects can donate funds earmarked for specific functions, avoiding the problem that government revenue is used to support a number of causes. We employ a "real donation" experiment, first used in Eckel and Grossman (1996), where subjects are given an endowment and the opportunity to donate any part of that endowment to a specific organization: donated funds are forwarded to the organization in question. An array of organizations is used, consisting of pairs of private charities and government agencies matched by their primary function. This makes the decisions to donate as comparable as possible, the only difference being that one organization is privately organized, and the other government-managed. In addition, we collect survey information to gauge perceptions of the efficacy and efficiency of the organization. This allows us to compare directly a subject's giving in the form of voluntary taxes paid to a government agency with giving in the form of voluntary donations to a nonprofit organization with a similar mission.

A related question is whether or not distaste for taxation differs by level of government. Assuming that the median voter rule applies and that diversity of tastes and preferences increases with population size, voter dissatisfaction with government will be greater at the national level than at the local level. Smaller, local government units may better reflect the taste and preferences of their constituents. As such, preference for nonprofits relative to government would be greater at the national than the local level. Our study covers three levels of organizations: local, state and national.

We draw on previous experimental research to focus on voluntary donations to government organizations, and their relation to private charitable giving. Experimental research has made important

² In 2000, the state of Pennsylvania mailed out 2.5 million income tax rebates to its taxpayers. Hundreds of taxpayers, some who lived in the poorest city neighborhoods, signed over their checks to local school districts. One donor was quoted as saying that "That's exactly the point in giving people their own money – to do with it what they want" (New York Times 2000).

contributions to the study of taxation and charitable giving, using both lab and field methods. Taxation experiments have focused on tax compliance, which, given the relatively low probabilities of audit, is closely related to voluntary taxation (Alm, McClelland and Schulze, 1992; Alm and McKee, 2004; Andreoni, Erard and Feinstein, 1998). On the subject of charitable giving, many recent experimental studies address motives for giving and the factors affecting donations (Andreoni, 2006, 2008 surveys much of this research; examples of specific experiments include Eckel and Grossman, 2003; Eckel, Grossman and Johnston, 2005; Karlan and List, 2007, and others too numerous to cite.) List (2008) argues the appropriateness and utility of lab and field experiments as complementary methods; the present study is a lab experiment, but involving real charitable donations, giving it some of the flavor of a field study.

We find that people are not averse to giving to government. On average, they give 22 percent of their budget to government when anonymity is ensured and giving is completely voluntary, although they do show preferences for nonprofit charities by giving a slightly higher share, 27 percent, of their budget. The willingness to give varies systematically by the function and level of the organization, as well as perceptions of the organization.

Our findings suggest that the antipathy often expressed towards government may be more antipathy to coercion or lack of control over the use of resources, rather than to government *per se*, and that taxpayers do embrace the voluntary *and* earmarked feature of a gift to government. This pattern of behavior is consistent with the increasing amount of contributions to “check-off” programs – i.e., taxpayers can “check off” contributions to federal and state programs on their income tax returns – as well as other voluntary reporting and taxation measures. We revisit these programs in the conclusion with an eye to policy implications.

The rest of the paper is organized as follows. Section II presents the experimental design. Section III presents the analysis and results. Section IV concludes.

II. The Experiment

Design

The design of the study incorporates an experiment and a post-experiment survey. The experiment consists of a series of distinct budget allocation decisions, where subjects choose how much (if any) of an endowment to donate to government or private organization. The survey is completed after the experiment and collects information on standard demographics, religion, major, political affiliation, other charitable giving behavior, and perceived duties of governmental organizations and non-governmental charities.

For each allocation decision, subjects are provided an endowment of \$20.00. They are given the opportunity to donate (in private and anonymously) any part of the endowment to the organization they are paired with in each allocation decision.³ Each decision involves a real trade-off between a subject's own earnings in the experiment and the amount sent to the organizations. Hence these measures are likely to be more accurate and informative than survey based measures of altruistic behavior (see Eckel and Grossman 2003, 2006, 2007).

The characteristics of the organizations vary systematically in order to study preferences for charitable giving. The design consists of three factors: 1) government vs. private organization; 2) level of the organization (national, state, and local), and 3) the function of the organization (cancer, education, parks and wildlife, disaster relief) for a total of $2 \times 3 \times 4 = 24$ treatments. An important – and challenging – part of the design was to identify organizations that were parallel in their scope of activities, and where the government organization could receive donations.⁴ Appendix A lists and describes the organizations used in the experiment. This information was available to the subjects in the instructions and decision forms. In addition, everyone had a separate sheet of more detailed descriptions on the organizations for their reference. In each session, a subject makes six decisions – a full set of government and private organizations at each level – for each of two randomly-paired functions. Four different pairings of the four categories were tested:

³ An alternative design is to give subjects a list of public and private organizations, and let them choose organizations and decide how much to contribute. The drawback of this design is that researchers cannot observe the contributions for those organizations that subjects do not select.

⁴ Despite our enormous effort in identifying the government agencies, we received inconsistent information on whether private gift would be allowed by the Dallas City Office of Emergency Management. The check was returned to us.

Parks and Wildlife/ Education Enhancement, Parks and Wildlife/Disaster Relief, Cancer Research and Prevention/Education Enhancement, Cancer Research and Prevention/Disaster Relief.

At the end of the experiment one decision was chosen randomly for payment, and the money allocated as indicated by the subject. The subjects received the part of the endowment they allocated to themselves, and the specific organization was mailed its allocated part of the endowment as described below.

Procedures

A total of 11 sessions were conducted at the University of Texas at Dallas (UTD) with 125 subjects participating. We intended to use only undergraduate students as subjects; however, a few mostly international graduate students (21) were inadvertently recruited. We dropped all graduate student observations to prevent biasing the results, since international graduate students were unlikely to have the same preferences as the undergraduates, who are overwhelmingly U.S. residents.⁵ We ended up with a total of 104 undergraduate students, 11 of which served as monitors for their sessions.

Subjects were recruited for the hour-long experiment by email using a database of undergraduate students who previously indicated interest in participating in experiments. The sessions were run at the Center for Behavioral and Experimental Economic Science (CBEES) of the University of Texas at Dallas. Subjects arrived at the lab and signed a consent form while seated in the lab's reception area. Before starting, the experimenters asked for a volunteer to be a monitor. It was announced the monitor would be paid a flat amount of \$20, and that the monitor would help the experimenters when needed, make sure that instructions were properly followed, and mostly importantly, accompany the experimenters to mail the checks to the organizations after the experiment was over.

All subjects were then escorted into the lab, which contains partitioned desks. On each desk were a set of instructions, an index card with a randomly assigned ID number, a packet of allocation decision forms, and an envelope to hold the allocation decision forms (see Appendix B for a sample copy of the instructions and allocation forms). Experiment ID numbers were used to preserve anonymity. The instructions which

⁵ We did not collection information in the survey on whether they were U.S. citizens or residents. So we were not able to identify international undergraduate students in our sample. We dropped only graduate students from our sample since they are overwhelmingly international students.

covered all aspects of the procedure, were read aloud and included examples. The instructions also included a detailed description of the monitor's duties. Subjects were given the opportunity to ask questions. Upon finishing their allocation decisions, subjects sealed the forms in the envelopes provided. An experimenter then brought each subject a 6-sided die which was rolled twice. The first roll determined the function (an odd roll meant the first function in their packet was selected, an even roll meant the second) and the second roll determined which of the six decisions of the selected category would be used for payment (the decisions were numbered in each category 1-6). Having each subject separately and randomly determining his paired organization ensured independent decisions. After subjects finished with their allocation decisions, they were asked to sign a payment receipt form stating that they received \$20 and had the opportunity to allocate some of it to a charity. Forms were then collected, and the survey distributed.

While subjects were filling out the surveys, an experimenter and the monitor went to a separate room. They prepared a payment envelope for each subject, containing the subject's earnings (how much he had allocated to himself) and a slip reminding the subject of his paired organization. Envelopes were only marked with an ID number on the front. Subjects used their ID cards to claim payment from the monitor. This structure ensured complete anonymity of decisions.

After the subjects were paid, the monitor assisted the experimenter in writing checks to the organizations. The monitor verified and sealed each stamped, pre-addressed envelope and then walked with the experimenter to drop the checks in the mailbox. Subjects also were invited to stay behind and accompany the experimenter and the monitor to the mailbox, though none did.

III. Results

Among 93 participants, 17 always gave the same amount regardless of the types, causes, and levels of the organization. Thirteen participants always gave zero, whereas two always gave all \$20. Average giving is shown in Figure 1 and in Table 1 below. Donations are highest for Disaster Relief and Cancer, and somewhat lower for Parks and Wildlife and Education. To our surprise, in all cases average giving is non-

trivial for both government and private organizations. For government organizations, the average contribution varies from \$1.78 (local-level Parks and Wildlife) to \$6.51 (local-level Cancer). For nonprofit charities, it varies from \$2.53 (local-level Parks and Wildlife) to \$8.76 (national-level Disaster Relief). In many cases giving is very similar across matched private and government organizations. This leads to first two results.

[Table 1 about here]

[Figure 1 about here]

Result 1: People will give to government organizations, paying voluntary taxes for specific functions.

Support: Table 1 and Figure 1 show that average donations to government organizations are significantly different from zero for all levels and all causes (t test of means, $p < 0.01$). By pooling data from all levels, we find that the average contributions to government organizations are \$5.89, \$3.67, \$3.48, and \$4.59 for Cancer, Education, Parks and Wildlife, and Disaster Relief, respectively.

Result 2: Contributions to charity and to government organizations are positively and significantly correlated for all causes and all levels.

Support: Table 1 shows that average giving to paired private charities and government organizations are highly correlated across all levels and categories. The correlation varies from 0.52 to 0.81 and all are statistically significant ($p < 0.01$).

Table 1 contains results of t test for mean giving for all decisions, for participants who chose to give a positive amount to at least one organization (i.e., those *participants* who always gave zero regardless of the organizations are excluded), and for positive donations only (i.e., those *decisions* in which participants gave zero are excluded). Excluding zero donors has little effect on levels or significance of the results. We find that, in general, giving is contingent on the types, causes, and levels of organizations. In particular, average giving is significantly higher for private than government organizations for Cancer and Disaster Relief at all levels ($p \leq 0.10$) except for Cancer at the local level ($p > 0.10$). Parks and Wildlife organizations receive similar amounts of giving at all levels ($p > 0.10$). Giving to Education depends on the levels of the

organizations. Specifically, average giving is similar for private and government organizations at the national level, is significantly higher for the government organization at the state level ($p < 0.05$), and is significantly higher for private organization at the local level ($p < 0.10$).

We also conduct Wilcoxon matched-pairs signed-rank tests to compare the distributions of giving to government and private organizations. Table 2 presents the results which are generally consistent with the results for the means test in Table 1.⁶ This gives us our third result.

[Table 2 about here]

Result 3: Giving to private organizations is typically greater than or equal to giving to government organizations.

On average, participants chose to keep all \$20 and give zero to the organizations in 36.3 percent of their decisions. The probability of a positive contribution exhibits wide heterogeneity across causes, types, and levels of organizations. We conduct McNemar's test for binomial proportions for matched samples. The probability of giving a positive amount and the results of McNemar's test are reported in Table 3. We find that the probability of giving is generally higher for the private than for government organizations with significant difference for Cancer at all levels, Parks and Wildlife at the local level, and Disaster Relief at the national and local levels. The only exception is for Education at the state level where 58 percent of participants made contributions to the government organization compared to 48 percent to charity. The difference, however, is not statistically significant ($p = 0.275$). Overall, we find that the probability of giving is significantly higher for charities than for government organizations for Cancer and Disaster Relief ($p < 0.01$), but insignificantly different for Education ($p = 0.721$) and Parks and Wildlife ($p = 0.418$). In addition, the probability of giving is contingent on the causes. It is significantly higher for Cancer (83 percent for private and 68.8 percent for government organization) and Disaster Relief (79.8 percent and 66.7 percent)

⁶ Some exceptions include state level Cancer (means test shows average giving to the government is significantly higher than to charity ($t = 1.69$) whereas the signed-rank test shows the two distributions are not different from each other ($p = 0.221$)), local level Cancer (average giving is similar to the private and government organizations ($t = 1.13$), whereas the signed-rank test shows giving to charity is significantly higher ($p = 0.011$)), and state level Education (average giving is significantly higher for the government ($t = 2.04$) whereas the signed-rank test shows no difference between the two distributions ($p = 0.170$)).

than for Education (54.7 percent and 54 percent) and Parks and Wildlife (55.1 percent and 50 percent). These finds suggest our fourth and fifth result.

[Table 3 about here]

Result 4: Subjects are more likely to make a positive contribution to private than to government organizations.

Result 5: Compared to Education and Parks and Wildlife, the likelihood of giving is significantly higher for Cancer and Disaster Relief.

Table 1 also shows average donations conditional on giving. In only one case (Disaster Relief at the national level) is the average conditional donation to government (\$7.45) significantly different from the average conditional donation to the private organization (\$10.18) ($p < 0.10$). It appears that the primary decision by donors is whether to give, with several focal levels of giving leading to very similar sized average gifts.⁷ Overall, average donations to charities conditional on giving are higher for Cancer (\$8.84) and Disaster Relief (\$8.53) than for Education (\$6.54) and Parks and Wildlife (\$6.66). Average donations to government organizations conditional on giving are higher for Cancer (\$8.56) than the other three causes (\$6.80 for Education, \$6.95 for Parks and Wildlife, and \$6.89 for Disaster Relief).

Result 6: Conditional on giving, average gift size is similar between matched government and private organizations.

[Table 4 about here]

In the survey after the experiment, we solicited participants' perceptions of the government organizations and charities used in that session. We first asked whether they think supporting the service is an *important* cause. We then asked participants how much they trust each organization and their perceptions of the *responsibility*, *resources* currently spent, *quality of work*, *additional resources needed*, and *efficiency*

⁷ Most common focal points of gifts are \$0 (36.3 percent), \$5 (16.2 percent), \$10 (12.2 percent), \$2 (6.1 percent), \$15 (4 percent), \$3 (3.9 percent), and \$20 (3.7 percent).

for each. Participants were told to use their best guess if they had no prior experience or were unfamiliar with the organization. A set of sample questions for Cancer are included in Appendix C. Summary statistics on participants' responses are presented in Appendix D.

Results of t-tests for paired samples on the comparison of perceptions of government agencies and charities are reported in Table 4. Combining Appendix D with Table 4, we find that trust is uniformly higher toward private than toward government organizations ($p < 0.05$ except for Education and Parks and Wildlife on the local level). This pattern also holds for quality of the work ($p < 0.05$ except for education on the state and local levels, and parks and wildlife on all levels), and efficiency of the organizations ($p < 0.05$ except for parks and wildlife on the national level).⁸ Government organizations are seen as having greater responsibility for all functions ($p < 0.05$ except for Cancer Research and Prevention on the local level), with national-level government most responsible for Cancer, and state-level government for Education and Parks and Wildlife. Government is seen as having spent slightly more resources than charity at all levels for Education ($p > 0.05$). The direction of comparison is reversed for all other causes. In particular, subjects perceive that charity has spent significantly more resources than government in cancer research and prevention ($p < 0.05$). Private charities are seen as having greater need for resources than their governmental counterparts with significant difference for national- and local-level Cancer, as well as national- and state-level Disaster Relief ($p < 0.05$).

[Table 5 about here]

To systematically investigate the effects on giving of the treatments and participants' perception, we use a random-effects Tobit model, with the amount contributed to each organization as the dependent variable. The data are censored since, by design, donations are limited to lie between zero and \$20: 36.3 percent of observations are at zero and 3.7 percent at \$20. Regression results are presented in Table 5. As the benchmark, the first model in column 2 contains the treatment variables, including the types of

⁸ The only exception is for *quality* of Parks and Wildlife at the state level where the perception of quality of the state government organization is 3.26, slightly higher than 3.13 for the state charity.

organization (*Charity* versus *Government*), causes (*Cancer*, *Education*, *Parks and Wildlife (P&W)*, and *Disaster Relief*) and levels (*National*, *Texas*, and *Dallas*), as well as the pairings of causes used in each session. Recall that participants made decisions for a series of organizations for two randomly paired functions. Because of the potential effects of the specific pairings of functions on individuals' contributions, we control for pairings within a session (*Cancer-Disaster*, *Cancer-Education*, *P&W-Disaster*, and *P&W-Education*). The omitted variables are *Government*, *Cancer*, *National*, and *P&W-Education*. Column 3 adds three variables to capture key features of perceptions: whether the organization serves an *important cause*, whether it is the organization's *responsibility* to provide the service specified, and whether it is a *good organization*. The variables *Important Cause* and *Responsibility* are constructed directly from survey responses to questions 1 and 3 (see Appendix C). *Good Organization* is constructed using factor analysis with varimax rotation based on the survey questions on *trust*, *resources* currently spent, *quality of work*, and *efficiency* of the organization. Column 4 further includes demographic variables such as gender, race, and age. Column 5 excludes the main effect for *Charity* but replaces it with interactions with each of the four causes to allow for differential effects across causes.

The results in Table 5 are robust across the specifications and consistent with earlier analysis. We find that the amount given to charities is significantly greater than given to government agencies ($p < 0.01$). People give more to Cancer than to the three other causes ($p < 0.01$). The national organizations/agencies attract more contributions than the state or local ones ($p < 0.01$). The *Cancer-Disaster* pairing is associated with a higher level of giving than any other pairing ($p < 0.05$ in columns 1 and 2). The *Charity* and Disaster Relief interaction suggests, other things being equal, the amount given to disaster relief is significantly higher for private charities than for government agencies ($p < 0.01$), no doubt reflecting recent perceptions of FEMA's handling of Hurricane Katrina and its aftermath (Eckel, Grossman and Milano, 2007). The amount given to Cancer is marginally higher for charities than for government agencies ($p < 0.10$). These findings confirm the patterns in Figure 1.

People's perceptions play important roles in individuals' decisions about giving. The more important the cause is perceived to be, the higher the contribution ($p < 0.05$). A "good" organization, which is *trusted* and *efficient*, had high levels of spending (*resources*), and provides high *quality of work*, enjoys greater contributions ($p < 0.01$). People give more if they perceive it is the organization's responsibility to provide the specified service ($p < 0.05$ in column 2 and $p < 0.10$ in column 3), but the effect is smaller in column 4 which includes the *Charity* and cause interactions.

Among the subject characteristic variables, we find that women contribute more than men ($p < 0.01$), consistent with previous studies (Eckel and Grossman, 1998 and 2008). Neither race nor age is related to the level of giving.

[Table 6 about here]

To closely examine the potential heterogeneous effects on giving of the causes and levels of organizations and individual perceptions, we disaggregate the data by *type* of organization and reapply the random effect tobit models. Table 6 reports the results with column 1-3 for private charities and column 4-6 for governmental organizations. The results, although largely confirming those in Table 5, reveal two interesting heterogeneous effects. First, the difference in the amount of giving to the national versus state levels exists uniquely for private charities ($p < 0.01$ in columns 1-3). Although the state government receives a smaller amount than the federal government the difference is not statistically significant ($p > 0.10$ in columns 4-6). Second, the coefficients of the variable *good organization* are 0.920 and 0.907 in columns 5 and 6, respectively, significantly higher than the 0.201 and 0.199 in columns 2 and 3, respectively ($p < 0.01$). Therefore, to be able to solicit more funds, it is substantially more important for government agencies than for private charities to be perceived as *good* organizations.⁹

We also investigate separately the determinants of the likelihood of giving and of gift size conditional on giving. Results are reported in Tables 7 and 8. Table 7 includes a random effect probit model with the likelihood of giving as the dependent variable. Table 8 includes a random effect linear regression and the

⁹ Appendix E includes the tobit results by cause, which are consistent with Tables 5 and 6.

dependent variable is the gift size conditional on giving. The specifications and the set of independent variables are the same as in Table 5. Results in Tables 7 and 8 are largely consistent with results in Table 5. The exceptions are the variables *Responsibility* and *non-Caucasian*. The effect of *Responsibility* on the likelihood of giving is not significantly different from zero (as shown in Table 7) whereas its effect on the conditional gift is positive and significant ($p < 0.05$ in Table 8). It implies that whether it is the organization's responsibility to provide a specific kind of service does not affect one's decision on *whether* to give, but it does influence the *amount* of contribution if one decides to give. Ethnicity has a significant impact on the probability of giving ($p < 0.05$ in Table 7). Caucasians are more likely than non-Caucasians to make a voluntary contribution. However, we can't reject that Caucasians and non-Caucasians contribute the same amount conditional on the fact that they give ($p > 0.10$ in Table 8).

IV. Conclusion

In this paper, we investigate the question of whether people will give to government, and if so, what determines the amount of giving. We design a lab experiment in which participants make decisions on giving in the form of voluntary taxes paid to government agencies or giving in the form of voluntary donations to nonprofit charities which have similar missions. We find that people give an average amount of \$4.4, i.e., 22 percent of their budget, to government when anonymity is ensured and giving is completely voluntary. People do show a preference for nonprofit charities by giving a higher amount, \$5.30 (27 percent of their budget) to non-governmental organizations. The willingness to give is influenced by the type, function and level of the organization, as well as perceptions of the organization. People give more to cancer research than to the three other causes. National organizations (whether public or private) attract more contributions than do state or local organizations. Being perceived as serving an important cause, trustworthy, efficient, and providing a high quality of service increases the amount of giving.

Voluntary giving to government occurs in the U.S. through several mechanisms. People have been able to make earmarked gifts to the federal government for reducing the national debt since 1961.¹⁰ Slemrod and Oltmans (2001) find that the size of such gifts is systematically related to attitudes toward government and the size of deficit. Taxpayers may also contribute to a special federal account called Gifts to the United States, maintained by the Department of Treasury since 1843. The amount of gifts totaled \$394,000 in fiscal year 2001, and increased substantially after September 11, 2001 (Wall Street Journal, 2002). In addition, the state “check-off” programs, through which taxpayers can make voluntary contributions to public or social programs via their state income tax, have been implemented since 1977, and have gained popularity over years. In 2002, 210 such programs collected a total amount of \$32.8 million.¹¹ As of 2007, the number of such programs increased to 318.¹² Appendix F summarizes these programs across the forty one states with broad-based personal income tax. The most common programs as of year 2007 were to provide funding for nongame wildlife preservation, child abuse and neglect prevention, breast cancer research and prevention, and military families.

The functions we study in this paper, including cancer research, education, disaster relief, and environmental causes, parallel some of the popular categories in the check-off programs. Our findings offer some explanations on what makes these programs successful. This paper shows that, as confirmed in the practice of the state check-off programs, people are willing to pay voluntary tax when allowed to decide the use of their funds. In addition, organizations that are perceived as serving an important cause, trustworthy, efficient, and providing a high quality of service are more likely to attract funds. We also find that conditional on function, national organizations (whether public or private) get more contributions than do state or local organizations. It suggests the potential of broadening the check-off programs on the federal

¹⁰ The Internal Revenue Service has included instructions in the tax packet on how to make a contribution since 1982 (Slemrod 2003).

¹¹ Data come from Federation of Tax Administrators (FTA) article “Check-off Programs See Strong Growth”. URL: <http://www.taxadmin.org/fta/rate/checkoff03.html>. FTA conducted biannual surveys on state check-off programs from 1989 to 2003.

¹² According to the authors’ computation based on the 2007 U.S. states personal income tax return forms, 27 percent of these programs were private targeting charitable programs, 55 percent public and social programs, and the rest public/private combinations.

income tax return that included only one such program on political campaign as of 2007. Voluntary donations such as these may be a useful alternative source of funding for causes that are seen as salient to taxpayers, and where the government units that provide these services are seen as deserving of additional support.

Appendix A. Description of Organizations

Type of Organization	Area Served by Charity	Government	Nonprofit
Parks and Wildlife Services	United States of America	<p>National Park Foundation</p> <p>Funds the National Park Service which is administered by the U.S. Department of the Interior. It is responsible for the development and maintenance of the national parks.</p>	<p>National Park Trust</p> <p>A non-profit land conservancy. It is dedicated to preserving national parks, wildlife, and historic monuments.</p>
	State of Texas	<p>Texas Parks and Wildlife Foundation</p> <p>Funds the Texas State Parks and Wildlife Department. The Department is dedicated to preserving Texas natural parks and wildlife.</p>	<p>The Nature Conservancy of Texas</p> <p>A non-profit charity that concentrates on a science-based approach to conservation. It works to protect ecologically important lands and waters in Texas.</p>
	Local Dallas Area	<p>Establishment of a White Rock Lake Museum</p> <p>Administered by the Dallas Parks and Recreation Department. The Museum will preserve the history of White Rock Lake Park and enhance the lake and park area.</p>	<p>For the Love of the Lake</p> <p>A non-profit charity dedicated to preserving the White Rock Lake Park. It maintains and enhances the lake and park through renovations and fundraising.</p>
Education	United States of America	<p>Project Grad USA</p> <p>Run by the U.S. Department of Education. The program focuses on improving the quality of public school education and increasing graduation rates.</p>	<p>I Love Schools.com</p> <p>A non-profit charity focused on providing necessary supplies for classrooms. It connects donators with teachers who need supplies to increase the quality of education.</p>
	State of Texas	<p>The College for Texans Campaign</p> <p>Funds the Texas Higher Education Coordinating Board. The Board's mission is to enhance the Texas education system and increase the percentage of students college bound.</p>	<p>Texas Parent Teacher Association (PTA)</p> <p>A non-profit organization consisting of educators, parents and the general public. It unites efforts to achieve the highest possible education for all children.</p>
	Local Dallas Area	<p>The Dallas Education Foundation</p> <p>Funds the Dallas Independent School District. It supports the city government's initiatives to graduate high-achieving, engaged students ready for college.</p>	<p>Communities in Schools Dallas Region</p> <p>A non-profit charity that works to reduce the number of high school dropouts. It encourages community involvement in Dallas area schools to enhance education.</p>
Cancer Research and Prevention	United States of America	<p>National Cancer Institute Gift Fund</p> <p>Part of the National Institute of Health. It is the federal government's principal agency for cancer research, training, and treatments in clinical practice.</p>	<p>American Cancer Society (ACS)</p> <p>A non-profit organization for cancer research, education, advocacy and service. Its goal is to prevent cancer, save lives, and diminish suffering from cancer.</p>
	State of Texas	<p>Texas Cancer Council</p> <p>Created by Texas Legislature to support the Texas Cancer Plan. The Plan promotes cancer prevention research and aids cancer patients with treatment and recovery.</p>	<p>Young Texans Against Cancer (YTAC)</p> <p>A non-profit charity comprised of young men and women affected directly or indirectly by cancer. It raised funds to help support research and prevention programs.</p>

Type of Organization	Area Served by Charity	Government	Nonprofit
	Local Dallas Area	<p>Parkland Foundation, Oncology Department</p> <p>Fund the Parkland Health and Hospital System’s Oncology Department. It helps cancer patients in the most trying times of their lives by providing access to a variety of cancer-related treatments.</p>	<p>Baylor Medical Center’s Charles A. Sammons Cancer Center</p> <p>A non-profit system that offers treatment for all types of cancer. The Center also offers a full spectrum of oncology services from education to advanced rehabilitation programs.</p>
Disaster Relief	United States of America	<p>Corporation for National and Community Service Disaster Relief Fund</p> <p>An independent federal agency whose efforts focus on meeting people’s immediate emergency disaster-caused needs. It also provides strategic critical support to volunteer organizations.</p>	<p>American Red Cross Disaster Relief Fund</p> <p>A non-profit charity that focuses on providing aid to disaster victims nationwide. It meets people’s immediate emergency disaster-caused needs for shelter, food, and health services.</p>
	State of Texas	<p>Texas Disaster Relief Fund</p> <p>Established by the Office of the Texas Governor. It provides funds for immediate emergency assistance to Texans in need due to a disaster.</p>	<p>United Way of Texas</p> <p>A non-profit charity dedicated to meeting the needs of people across the state. It enables health and human services to get back in operation after a disaster.</p>
	Local Dallas Area	<p>Dallas City Office of Emergency Management</p> <p>Run by the City of Dallas. It warns of disaster events, provides disaster-related safety information to the public, and trains Dallas city rescue workers in disaster relief.</p>	<p>North Texas Rescue</p> <p>A non-profit charity that provides support to North Texas residents in disasters. Assistance focuses on financial, housing, emotional support and long-term benefits for displaced individuals.</p>

Appendix B. Sample Instructions and Allocation Forms

Instructions

You are going to participate in a study of decision making. The study will last about 50 minutes. Some of you will receive compensation for your participation, which will be paid to you in cash at the end of the study. How you will be compensated is explained below.

For today's experiment I will select a MONITOR who will be paid \$20 for helping me with the experiment. The MONITOR is responsible for verifying that all the decisions are made according to the instructions. The MONITOR is also responsible for making sure that any money donated to organizations in the course of the experiment actually gets mailed to the organization. The MONITOR will be responsible for distributing any earnings in the experiment.

Each subject has been given a set of INSTRUCTIONS, DECISION SHEETS, an ENVELOPE and an INDEX CARD.

To insure the anonymity of all subjects' decisions, each subject has been assigned randomly a five-digit code number. This number is written on an index card that has been distributed to you. **Please keep this card: it is your claim check to pick up your earnings.** You will collect your compensation by turning in this code number.

Please write your code number on your INSTRUCTIONS and DECISION SHEET now.

The DECISION SHEET contains a series of allocation problems. You will be asked to make an allocation decision for each of these problems. In each allocation problem you are paired with an organization of either a government agency or a non-government charity. For each allocation problem you have been given an endowment, i.e., an initial amount of money. You are asked to allocate this money between yourself and the organization. It is important that you pay careful attention to the **organization** and the **endowment** as you make each decision. We will explain how to make the decisions in more detail later.

After you complete the DECISION SHEET you will be given a SURVEY to fill out. While you are filling out your survey we will calculate your earnings.

When everyone is finished making their decisions, we will pick six people at random from the class. These six people will be paid in cash for their participation. If you are one of the six people, we will pay you for ONE of the decisions you made. This will be explained in more detail at the end of the instructions. We will put your payment in an envelope with your code number on it. After earnings are calculated, the MONITOR will return with the envelopes for the people who are going to be paid. The code numbers for these people will be announced. To pick up your earnings, you need to show your code number.

The experimenters will also calculate the total donation to each of the organizations. The experimenters will make out checks for these amounts, and place them in addressed and stamped envelopes. The experimenter and the MONITOR will go to the nearest mailbox and drop the envelope in the mailbox.

If you wish to remain behind after class to learn how much has been donated to each organization and to verify that the checks are written and mailed, you are welcome to do so.

Examples of Allocation Problems:

Let’s look at Example 1 for an allocation problem in the chart below. In this problem you are matched with the **National Park Service**, a federal government agency that serves the entire nation of the U.S. You must divide \$10.00 between this organization and yourself. You can keep it all, keep some and pass some, or pass it all. For instance, suppose you elect to pass \$7.00 and keep \$3.00. I have filled in the table to show how you would indicate that choice. If this were your decision, the National Park Service would receive \$7.00 and you would earn \$3.00.

Example 1:

Problem	Endowment	Organizations	Government or Non-government Organization	Area Served by the Organization	Pass to the Organization	Keep for Self
1	\$10.00	National Park Service Administered by the U.S. Department of the Interior. It is responsible for the development and maintenance of the national parks.	Government agency	U. S.	\$7.00	\$3.00

Let’s look at Example 2. In this problem you are matched with the **Communities in Schools Dallas Region**, a local non-government charity that serves the Dallas area. You must divide \$10.00 between this charity and yourself. You can keep it all, keep some and pass some, or pass it all. For instance, suppose you elect to pass \$4.12 and keep \$5.88. I have filled in the table to show how you would indicate that choice. If this were your decision, the Communities in Schools Dallas Region would receive \$4.12 and you would earn \$5.88.

Example 2:

Problem	Endowment	Organizations	Government or Non-government Organization	Area Served by the Organization	Pass to the Organization	Keep for Self
2	\$10.00	Communities in Schools Dallas Region A non-profit charity that works to reduce the number of high school dropouts. It encourages community involvement in Dallas area schools to enhance education.	Non-government charity	Local Dallas Area	\$4.12	\$5.88

Important Note: In all cases you may choose any amount to keep and any amount to pass, but the amount you keep plus the amount you pass must equal your endowment. The decision is up to you.

When you are done, Please place the DECISION SHEET in the provided envelope and seal the envelope. The experimenters will collect the envelopes at this time. But keep the card with your code on it.

After completing these tasks, the experimenters will hand out a survey. **Please write your five-digit code number on the survey form.** Please note that the survey will be used for research purposes only. We will collect the completed survey forms.

Remember that, while you are completing the survey, the experimenters will be determining your compensation and donation to the organizations. We will choose six people at random to pay in cash for participating. If you are chosen for payment, one of your decisions will be chosen at random for payment. Your compensation, the amount you kept for yourself, will be sealed in an envelope with your code number on its face. You may pick up your envelope at the end of the study. Similarly, a check for the amount you passed to the organization will be mailed by the experimenter and monitor at the end of the study.

If you have any questions about the procedures, please ask now.

Allocation Forms

For this study, each of you will be paired with 12 different organizations of two categories. Page 2 contains organizations that benefit **Parks and Wildlife**, and page 3 contains organizations that benefit **Education**. Each category has 6 decisions in which allocations are to be made between yourself and the organizations. These organizations either are part of varying levels of **government** such as the U.S. federal government, the Texas state government and the Dallas local government, or are **non-government charities** that serve different geographic areas such as the U.S., the State of Texas and the local Dallas area. Information on these organizations is provided. You may also refer to the separate *green* sheets for more detailed descriptions of these organizations.

Read each allocation problem carefully. Notice that for each problem you are given an endowment. The endowment is **\$20**. You must make a decision for each problem below.

If you are picked to be paid you and the organization will be paid according to ONE of the decisions that you make. However, you will not know which decision is the one you will be paid for until the end. So it is important to make each decision as if that is the one you will be paid for.

Remember that you can allocate your endowment in any way you like. You may:

- 1) keep it all for yourself,
- 2) keep some for yourself and pass the remainder to the organization, or
- 3) pass it all to the organization.

The amount you keep plus the amount you pass must equal your endowment. The decision is up to you.

If you are picked to be paid, one of these decisions will be chosen and you will be paid in cash and the organization will receive a check based upon the allocations you gave in the decision.

This is how the payment will work. First, 6 envelopes will be drawn by the monitor: three will be matched with each of the two categories, i.e., Parks and Wildlife, or Education. Then for each of the chosen envelopes, a 6-sided die will be rolled to determine which decision is paid. For example, suppose your envelope is drawn for the Parks and Wildlife category. Suppose the die comes up 4. Then we will pay you for decision 4 for the Parks and Wildlife category on page 2, and send a check to The Nature Conservancy of Texas.

For these 6 problems, you are matched with **Parks and Wildlife** organizations including **government agencies** and **non-government charities**. Any money you pass will be mailed to the organization randomly selected at the end of the experiment.

Problem	Endowment	Organizations	Government or Non-government Organization	Area Served by the Organization	Pass to the Organization	Keep for Self
1	\$20	National Park Foundation Funds the National Park Service which is administered by the U.S. Department of the Interior. It is responsible for the development and maintenance of the national parks.	Government agency	U. S.		
2	\$20	National Park Trust A non-profit land conservancy. It is dedicated to preserving national parks, wildlife, and historic monuments.	Non-government charity	U. S.		
3	\$20	Texas Parks and Wildlife Foundation Funds the Texas State Parks and Wildlife Department. The Department is dedicated to preserving Texas natural parks and wildlife.	Government agency	State of Texas		
4	\$20	The Nature Conservancy of Texas A non-profit charity that concentrates on a science-based approach to conservation. It works to protect ecologically important lands and waters in Texas.	Non-government charity	State of Texas		
5	\$20	Establishment of a White Rock Lake Museum Administered by the Dallas Parks and Recreation Department. The Museum will preserve the history of White Rock Lake Park and enhance the lake and park area.	Government agency	Local Dallas Area		
6	\$20	For the Love of the Lake A non-profit charity dedicated to preserving the White Rock Lake Park. It maintains and enhances the lake and park through renovations and fundraising.	Non-government charity	Local Dallas Area		

For these 6 problems, you are matched with **Education** organizations including **government agencies** and **non-government charities**. Any money you pass will be mailed to the organization randomly selected at the end of the experiment.

Problem	Endowment	Organizations	Government or Non-government Organization	Area Served by the Organization	Pass to the Organization	Keep for Self
1	\$20	Project Grad USA Run by the U.S. Department of Education. The program focuses on improving the quality of public school education and increasing graduation rates.	Government agency	U. S.		
2	\$20	I Love Schools.com A non-profit charity focused on providing necessary supplies for classrooms. It connects donators with teachers who need supplies to increase the quality of education.	Non-government charity	U. S.		
3	\$20	The College for Texans Campaign Funds the Texas Higher Education Coordinating Board. The Board’s mission is to enhance the Texas education system and increase the percentage of students college bound.	Government agency	State of Texas		
4	\$20	Texas Parent Teacher Association (PTA) A non-profit organization consisting of educators, parents and the general public. It unites efforts to achieve the highest possible education for all children.	Non-government charity	State of Texas		
5	\$20	The Dallas Education Foundation Funds the Dallas Independent School District. It supports the city government’s initiatives to graduate high-achieving, engaged students ready for college.	Government agency	Local Dallas Area		
6	\$20	Communities in Schools Dallas Region A non-profit charity that works to reduce the number of high school dropouts. It encourages community involvement in Dallas area schools to enhance education.	Non-government charity	Local Dallas Area		

Appendix C. Post-Experimental Survey

The first question was asked once for each function.

1. To what extent do you agree or disagree that supporting cancer research and prevention is an **important** cause? (1=strongly disagree, 5 = strongly agree)

The following questions were asked separately for each type and level of organization (e.g., local government, local charity, etc.)

2. How much do you **trust** the following organizations in providing cancer research and prevention? (1=strongly distrust, 5=strongly trust)
3. To what extent do you agree or disagree that to provide cancer research and prevention is the **responsibility** of the following organizations? (1=strongly disagree, 5=strongly agree)
4. How many **resources** do you think the following organizations spend annually in cancer research and prevention? (1=low spending, 5=high spending)
5. Please evaluate the **quality of the work** done by the following organizations in supporting cancer research and prevention. (1=poor, 5=excellent)
6. How many **additional resources** do you think the following organizations need in order to provide better cancer research and prevention? (1=little resources, 5=lots of resources)
7. How confident are you that donations to the following cancer research and prevention organizations will be used **efficiently**? (1=not very confident at all, 5=very confident)

Appendix D. Summary Statistics on the Perceptions of Organizations

Organization	Perception Means (Std. Dev.)						
	Q1: Important Cause	Q2: Trust	Q3: Responsibility	Q4: Resources	Q5: Quality	Q6: Need	Q7: Efficiency
Cancer	4.30 (0.82)						
National Govt.		3.21 (1.16)	4.26 (0.97)	3.20 (1.33)	3.02 (1.04)	3.21 (1.28)	2.57 (1.35)
State Govt.		3.11 (0.84)	3.62 (1.09)	2.66 (1.01)	2.70 (0.83)	3.53 (0.93)	2.38 (1.09)
Local Govt.		2.94 (0.76)	3.28 (1.28)	2.19 (1.06)	2.35 (0.85)	3.60 (1.19)	2.45 (1.14)
National Charity		3.70 (0.95)	3.60 (0.99)	3.77 (0.89)	3.64 (0.92)	3.64 (1.19)	3.66 (1.22)
State Charity		3.62 (0.68)	3.15 (0.93)	3.06 (0.76)	3.26 (0.83)	3.85 (0.98)	3.40 (1.10)
Local Charity		3.64 (0.85)	2.91 (0.97)	2.72 (0.98)	3.02 (0.84)	4.04 (1.19)	3.47 (1.04)
Education	4.59 (0.70)						
National Govt.		2.72 (1.36)	4.14 (1.16)	3.22 (1.23)	2.30 (1.07)	3.20 (1.46)	2.14 (1.18)
State Govt.		2.80 (1.23)	4.56 (0.79)	3.52 (1.22)	2.68 (1.13)	3.56 (1.18)	2.52 (1.11)
Local Govt.		2.88 (1.30)	4.34 (0.92)	3.20 (1.11)	2.68 (1.02)	3.66 (1.29)	2.80 (1.36)
National Charity		3.26 (1.19)	2.78 (1.31)	3.14 (1.13)	2.76 (1.04)	3.54 (1.27)	3.06 (1.25)
State Charity		3.22 (0.97)	2.88 (1.29)	3.10 (1.16)	2.88 (1.04)	3.74 (1.14)	3.24 (1.13)
Local Charity		3.16 (1.04)	2.80 (1.25)	2.98 (1.19)	2.78 (0.82)	3.66 (1.17)	3.35 (1.25)
Parks and Wildlife	3.62 (0.85)						
National Govt.		3.11 (1.23)	3.67 (1.27)	2.78 (1.35)	3.11 (1.06)	3.02 (1.31)	2.74 (1.32)
State Govt.		3.26 (0.88)	4.26 (0.53)	2.85 (0.99)	3.26 (0.98)	3.11 (1.16)	2.93 (1.12)
Local Govt.		3.50 (0.78)	4.07 (0.90)	2.59 (1.00)	2.98 (0.95)	3.22 (1.13)	3.00 (1.19)
National Charity		3.59 (0.83)	2.78 (1.09)	2.96 (1.17)	3.11 (1.06)	3.28 (1.15)	3.15 (1.19)
State Charity		3.60 (0.75)	3.02 (1.14)	2.89 (1.04)	3.13 (1.07)	3.37 (1.10)	3.37 (1.08)
Local Charity		3.67 (0.87)	3.02 (1.18)	2.76 (1.18)	3.09 (1.09)	3.60 (1.18)	3.52 (1.11)
Disaster Relief	4.16 (0.72)						
National Govt.		2.56 (1.22)	4.26 (1.03)	3.02 (1.47)	2.26 (1.11)	3.05 (1.33)	2.30 (1.28)
State Govt.		3.37 (0.90)	4.26 (0.82)	2.77 (1.21)	2.95 (1.11)	3.16 (1.23)	2.77 (1.21)
Local Govt.		3.53 (0.93)	4.16 (0.95)	2.56 (1.01)	2.84 (0.97)	3.30 (1.28)	3.14 (1.13)
National Charity		3.79 (1.01)	3.67 (0.89)	3.47 (1.05)	3.51 (1.01)	3.74 (0.93)	3.56 (0.98)
State Charity		3.79 (0.80)	3.60 (0.86)	3.05 (0.92)	3.47 (0.88)	3.70 (1.04)	3.56 (0.88)
Local Charity		3.88 (0.88)	3.62 (1.01)	2.93 (0.99)	3.53 (0.88)	3.70 (1.17)	3.67 (1.06)

Appendix E: Random Effect Tobit Model by Cause

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Cause	Cancer	Cancer	Cancer	Education	Education	Education	P&W	P&W	P&W	Disaster	Disaster	Disaster
Experiment variables	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Perceptions		yes	yes		yes	yes		yes	yes		yes	yes
Demographics			yes			yes			yes			yes
charity	2.276*** (0.530)	1.055 (0.691)	1.033 (0.691)	-0.003 (0.555)	0.335 (0.840)	0.267 (0.840)	0.515 (0.554)	0.667 (0.713)	0.636 (0.712)	3.140*** (0.534)	2.833*** (0.659)	2.891*** (0.658)
Texas	-0.786 (0.646)	0.224 (0.677)	0.214 (0.678)	-1.441** (0.667)	-1.862*** (0.683)	-1.852*** (0.683)	-0.0969 (0.649)	-0.294 (0.684)	-0.289 (0.684)	-2.183*** (0.646)	-2.339*** (0.652)	-2.321*** (0.652)
Dallas	0.334 (0.642)	1.776** (0.721)	1.764** (0.721)	-2.351*** (0.685)	-2.579*** (0.695)	-2.570*** (0.695)	-4.508*** (0.712)	-4.161*** (0.739)	-4.161*** (0.739)	-2.603*** (0.650)	-2.766*** (0.660)	-2.742*** (0.660)
cancer-disaster	5.698*** (2.028)	5.132*** (1.820)	4.915*** (1.718)							4.950** (2.202)	6.117*** (2.352)	5.405** (2.154)
cancer-education				-0.0895 (2.086)	-0.0286 (2.139)	-1.548 (2.207)						
P&W-disaster							-1.469 (2.645)	-0.108 (2.389)	-0.453 (2.575)			
important cause		2.805** (1.130)	2.329** (1.138)		-0.824 (1.504)	-0.804 (1.456)		4.129*** (1.406)	4.063*** (1.524)		1.623 (1.640)	1.681 (1.567)
good organizations		2.278*** (0.533)	2.295*** (0.532)		1.194*** (0.452)	1.193*** (0.452)		0.691 (0.596)	0.707 (0.597)		1.044** (0.488)	0.964** (0.489)
responsibility		0.206 (0.347)	0.173 (0.346)		0.280 (0.379)	0.239 (0.380)		0.305 (0.385)	0.278 (0.385)		0.460 (0.361)	0.473 (0.360)
female			4.586** (1.919)			4.514* (2.352)			2.150 (2.714)			5.624*** (2.125)
non_Caucasian			-1.976 (1.923)			-0.335 (2.389)			-1.279 (2.889)			-0.903 (2.223)
age			0.0149			-0.0967			-0.160			-0.0808

			(0.228)			(0.367)			(0.546)			(0.279)
Constant	1.601	-10.97**	-10.97	2.371	5.385	6.291	2.040	-14.48**	-11.13	1.519	-7.613	-8.798
	(1.551)	(5.233)	(6.747)	(1.491)	(6.903)	(9.959)	(1.749)	(5.627)	(11.09)	(1.739)	(7.653)	(9.375)
L.L.F.	-663	-613	-611	-563	-540	-538	-484	-428	-427	-589	-580	-577
Observations	282	265	265	300	291	291	276	250	250	258	256	256
Number of person	47	46	46	50	49	49	46	42	42	43	43	43

Standard errors in parentheses

* significant at 10% level; ** significant at 5% level; *** significant at 1% level

Appendix F. Voluntary Contributions Accepted on the State Personal Income Tax Returns

	Wildlife	Child Abuse	Breast Cancer	Military Families	Other
Alabama	x	x	x		1,2,3,5,6,7,8,23,31,49,82,84
Arizona	x	x			3,8,9,10,11,12,13,49
Arkansas				x	14,15,16,19,31,69,86
California	x	x	x	x	18,19,20,21,22,87,88
Colorado	x		x	x	3,9,10,11,18,25,27,28,29,36,38
Connecticut	x		x	x	30,31,32
Delaware		x			3,14,31,33,34,49,89
District of Columbia					52,90
Georgia	x	x			23,27,49,55,91
Hawaii		x			35,72
Idaho	x	x			49,92
Illinois	x	x	x	x	3,18,24,25,30,34,38
Indiana	x				
Iowa	x				3,12,39,40
Kansas	x		x		41,46
Kentucky	x	x	x		3,
Louisiana	x			x	23,33,93,94,95
Maine		x		x	3,12,24,27,96
Maryland	x				13,23
Massachusetts	x			x	14,30,31
Michigan		x		x	93,
Minnesota	x				
Mississippi	x			x	4,10,47,97
Missouri		x		x	1,3,23,24,34,49,65,69,78,83,85,98,99,100,101
Montana	x	x			50,77
Nebraska	x				13,
New Jersey	x	x	x		10,30,31,37,48,51,52,53,53*
New Mexico	x				3,10,12,49,52,54,101
New York	x		x		14,37,57,63
North Carolina	x				
North Dakota	x				4
Ohio	x			x	4
Oklahoma	x		x		1,3,10,16,27,28,31,35,39,45,48,49,56,57,58,75
Oregon	x	x	x	x	3,4,4*,9,11,16,18,26,30,34,44,59,60,61,62,64,66,66*,67
Pennsylvania			x	x	4,31,89
Rhode Island	x			x	14,31,52,68,69

South Carolina	x	x	x	1,3,4,4*,10,42,43,62,70,71,73
Utah	x			4,25,27,31,35
Vermont	x	x		12,
Virginia	x	x		1,4,4*,12,14,17,23,26,27,33,35,36,48,48*,55,57,68,73,74,75,76,79,80
West Virginia		x		
Wisconsin			x	3,4,20,37,38,81

Notes:

* When a category is listed more than once within a state, that state has different check-off programs in that same category.

1. Senior Services, 2. Arts Fund, 3. Veterans, 4. Nature Conservancy, 5. Indian Children, 6. Foster Care, 7. Mental Health, 8. Neighbors Helping Neighbors, 9. Special Olympics, 10. Education, 11. Domestic Violence, 12. Political Parties/ Campaigns, 13. Clean Elections, 14. Olympic Fund, 15. Disaster Relief Fund, 16. School for Blind/Deaf, 17. Office of Commonwealth Preparedness, 18. Alzheimers, 19. Fund of Senior Citizens, 20. Firefighters, 21. Peace Officer Memorial, 22. Emergency Food, 23. Cancer, 24. Asthma/Lung Disease, 25. Homeless, 26. Humane Society, 27. Pet Overpopulation, 28. Special Advocates, 29. Watershed Protection, 30. AIDS, 31. Organ Transplant, 32. Safety Net, 33. Housing Fund, 34. Diabetes, 35. School Support/Repair, 36. Family Services, 37. Prostate Cancer, 38. Multiple Sclerosis, 39. State Fairgrounds, 40. Keep Iowa Beautiful, 41. Meals on Wheels, 42. Financial Literacy, 43. Parks, 44. Planned Parenthood, 45. Retirement of Capital Dome, 46. Military Emergency Relief Fund, 47. Volunteer Service, 48. Scholarship Fund, 49. National Guard, 50. Agriculture in Schools, 51. USS New Jersey, 52. Drug Abuse, 53. Korean or Vietnam Veterans' Memorial, 54. Forest re-leaf, 55. Natural Areas, 56. Medicaid, 57. Memorials, 58. Roads and Highways, 59. Habitat for Humanity, 60. Head Start, 61. Coast Aquarium, 62. Early Literacy, 63. Missing/Exploited Children's Fund, 64. St. Vincent de Paul Society, 65. Arthritis, 66. Childrens' Hospital, 67. Salvation Army, 68. Arts & Tourism, 69. Childhood Disease, 70. Gift of Life, 71. Civil War Heritage, 72. Libraries, 73. Community Policing, 74. Historic Resources, 75. Uninsured Medical Fund, 76. Humanities & Public Policy, 77. Renal Disease, 78. Multiple Sclerosis, 79. Jamestown-Yorktown, 80. Children of America Finding Hope, 81. Packers Football Stadium, 82. Youth Advocacy, 83. Muscular Dystrophy, 84. Alternative fuel, 85. Cervical Cancer, 86. Umbilical Cord Blood Initiative, 87. CA senior special fund, 88. CA sea otter Fund, 89. Juvenile Diabetes, 90. DC Statehood Delegation Fund, 91. Stem Cell Research, 92. American Red Cross, 93. College Savings, 94. Animal Welfare, 95. Health, 96. Bone Marrow Screening Fund, 97. Burn Care, 98. Worker's Memorial, 99. Childhood Lead Testing, 100. General Revenue, 101. Amyotrophic Lateral Sclerosis Fund

Table 1: Means Tests of Giving – Matched Pairs and Conditional of Giving

Category		Level		Matched Pairs			Drop Participants who Always Kept Everything			Conditional on Donation > \$0			
				Mean (Std. dev.)		Two-tail t-stat*	Correlation (p value)	Mean (Std. dev.)		Two-tail t-stat*	Mean (Std. dev.)		Two-tail t-stat*
				N				N			N		
Gov't	Private	Gov't	Private	Gov't	Private	Gov't	Private	Gov't	Private				
Cancer	National	\$5.61 (5.41) 47	\$7.89 (6.18) 47	3.40	0.69 (0.00)	\$5.99 (5.38) 44	\$8.43 (6.02) 44	3.43	\$8.50 (4.41) 31	\$9.27 (5.65) 40	0.64		
	State	\$5.55 (5.55) 47	\$6.94 (5.94) 47	1.69	0.52 (0.00)	\$5.93 (5.53) 44	\$7.41 (5.84) 44	1.69	\$8.42 (4.72) 31	\$8.81 (5.30) 37	0.32		
	Local	\$6.51 (6.18) 47	\$7.18 (6.00) 47	1.13	0.78 (0.00)	\$6.95 (6.14) 44	\$7.67 (5.88) 44	1.13	\$8.74 (5.62) 35	\$8.44 (5.61) 40	0.23		
	All	\$5.89 (5.70) 141	\$7.34 (6.01) 141	3.56	0.66 (0.00)	\$6.29 (5.67) 132	\$7.84 (5.89) 132	3.57	\$8.56 (4.92) 97	\$8.84 (5.49) 117	0.39		
Education	National	\$4.14 (4.74) 50	\$4.40 (4.98) 50	0.42	0.60 (0.00)	\$4.93 (4.78) 42	\$5.24 (5.01) 42	0.42	\$6.90 (4.27) 30	\$6.67 (4.73) 33	0.21		
	State	\$4.08 (5.00) 50	\$2.84 (4.06) 50	2.04	0.57 (0.00)	\$4.86 (5.10) 42	\$3.38 (4.23) 42	2.05	\$7.03 (4.72) 29	\$5.92 (4.02) 24	0.93		
	Local	\$2.80 (4.29) 50	\$3.48 (4.85) 50	1.69	0.81 (0.00)	\$3.33 (4.49) 42	\$4.14 (5.02) 42	1.69	\$6.36 (4.37) 22	\$6.96 (4.77) 25	0.45		
	All	\$3.67 (4.69) 150	\$3.57 (4.66) 150	0.31	0.64 (0.00)	\$4.37 (4.81) 126	\$4.25 (4.79) 126	0.31	\$6.80 (4.41) 81	\$6.54 (4.51) 82	0.38		
Parks and Wildlife	National	\$4.42 (5.43) 46	\$4.22 (4.80) 46	0.40	0.78 (0.00)	\$5.65 (5.55) 36	\$5.39 (4.81) 36	0.40	\$7.26 (5.27) 28	\$6.69 (4.46) 29	0.44		
	State	\$4.23 (5.36) 46	\$4.25 (5.01) 46	0.04	0.78 (0.00)	\$5.40 (5.51) 36	\$5.43 (5.07) 36	0.04	\$7.20 (5.23) 27	\$6.98 (4.70) 28	0.17		
	Local	\$1.78 (3.89) 46	\$2.53 (4.35) 46	1.50	0.67 (0.00)	\$2.28 (4.27) 36	\$3.24 (4.69) 36	1.51	\$5.86 (5.16) 14	\$6.13 (4.89) 19	0.15		
	All	\$3.48 (5.05) 138	\$3.67 (4.76) 138	0.65	0.76 (0.00)	\$4.44 (5.33) 108	\$4.69 (4.92) 108	0.65	\$6.95 (5.19) 69	\$6.66 (4.61) 76	0.36		
Disaster Relief	National	\$5.02 (5.38) 43	\$8.76 (6.97) 43	4.00	0.53 (0.00)	\$5.68 (5.38) 38	\$9.91 (6.59) 38	4.10	\$7.45 (4.97) 29	\$10.18 (6.47) 37	1.94		
	State	\$4.49 (4.65) 43	\$5.94 (5.80) 43	2.31	0.71 (0.00)	\$5.08 (4.63) 38	\$6.72 (5.72) 38	2.33	\$6.43 (4.29) 30	\$7.74 (5.45) 33	1.06		
	Local	\$4.27 (5.10) 43	\$5.73 (5.57) 43	2.22	0.68 (0.00)	\$4.83 (5.17) 38	\$6.49 (5.49) 38	2.24	\$6.80 (4.92) 27	\$7.47 (5.23) 33	0.51		
	All	\$4.59 (5.02) 129	\$6.81 (6.25) 129	5.02	0.62 (0.00)	\$5.20 (5.04) 114	\$7.71 (6.11) 114	5.08	\$6.89 (4.69) 86	\$8.53 (5.85) 103	2.10		

* Significant t-statistics (p-value ≤ 0.10) in bold.

Table 2: Wilcoxon Matched-Pairs Signed-Rank Test p -values

	Cancer (N = 47)	Education (N = 50)	Parks and Wildlife (N = 46)	Disaster Relief (N = 43)
National	0.001	0.712	0.968	0.000
State	0.221	0.170	0.991	0.069
Local	0.011	0.062	0.102	0.016

Table 3: Probability of Giving (McNemar's Test)

	Government (%)	Private (%)	McNemar's Test p -value
Cancer (N = 47)			
National	66.0	85.1	0.003
State	66.0	78.7	0.034
Local	74.5	85.1	0.059
All	68.8	83.0	0.000
Education (N = 50)			
National	60.0	66.0	0.439
State	58.0	48.0	0.275
Local	44.0	50.0	0.317
All	54.0	54.7	0.721
Parks and Wildlife (N = 46)			
National	60.9	63.0	0.655
State	58.7	60.9	0.739
Local	30.4	41.3	0.059
All	50.0	55.1	0.418
Disaster Relief (N = 43)			
National	67.4	86.0	0.005
State	69.8	76.7	0.257
Local	62.8	76.7	0.034
All	66.7	79.8	0.000

**Table 4: Comparison of Perceptions on Government and Charities
(p values for t test for paired sample)**

	Trust	Responsibility	Resources	Quality	Need	Efficiency
Cancer						
National	0.014	0.001	0.017	0.002	0.049	0.000
State	0.001	0.014	0.031	0.001	0.054	0.000
Local	0.000	0.063	0.015	0.000	0.037	0.000
All	0.000	0.000	0.000	0.000	0.002	0.000
Education						
National	0.019	0.000	0.736	0.016	0.108	0.000
State	0.031	0.000	0.081	0.180	0.220	0.001
Local	0.119	0.000	0.340	0.295	0.500	0.020
All	0.001	0.000	0.077	0.017	0.116	0.000
Parks & Wildlife						
National	0.016	0.000	0.511	0.500	0.156	0.060
State	0.026	0.000	0.837	0.729	0.136	0.031
Local	0.158	0.000	0.447	0.306	0.059	0.016
All	0.001	0.000	0.336	0.523	0.017	0.001
Disaster relief						
National	0.000	0.003	0.113	0.000	0.003	0.000
State	0.013	0.000	0.233	0.010	0.016	0.000
Local	0.039	0.006	0.087	0.000	0.069	0.013
All	0.000	0.000	0.011	0.000	0.000	0.000

Note: The hypothesis for *Trust*, *Quality*, *Need*, and *Efficiency* is “government < charity”. The hypothesis for *Responsibility* is “government > charity”. The hypothesis for *Resources* is “government = charity”. As shown in Appendix D, according to participants’ perception, government spends more resources than charity at all levels for Education. The direction of comparison is reversed for all other causes.

Table 5: Random Effect Tobit Model on Unconditional Giving (All causes pooled)

	(1)	(2)	(3)	(4)
Experiment variables	yes	yes	yes	yes
Perceptions		yes	yes	yes
Demographics			yes	yes
Charity-Cause interactions				yes
Charity	1.539*** (0.285)	1.406*** (0.351)	1.401*** (0.351)	
Education	-2.194*** (0.514)	-2.036*** (0.525)	-2.054*** (0.525)	-1.268* (0.665)
P&W	-2.365*** (0.584)	-2.118*** (0.622)	-2.113*** (0.621)	-1.406* (0.751)
Disaster relief	-1.378*** (0.452)	-1.619*** (0.462)	-1.618*** (0.462)	-1.987*** (0.608)
Texas	-1.149*** (0.344)	-1.205*** (0.345)	-1.206*** (0.345)	-1.208*** (0.342)
Dallas	-2.105*** (0.349)	-1.864*** (0.353)	-1.866*** (0.353)	-1.880*** (0.350)
Cancer-Disaster	4.952** (2.126)	5.039** (2.083)	3.429* (2.050)	3.445* (2.054)
Cancer-Education	-0.208 (2.142)	-0.364 (2.096)	-1.769 (2.065)	-1.854 (2.062)
P&W-Disaster	-0.749 (2.279)	-0.849 (2.230)	-1.854 (2.166)	-2.018 (2.162)
charity*cancer				1.524* (0.801)
charity*education				0.135 (0.314)
charity*P&W				0.229 (0.841)
charity*disaster				2.363*** (0.807)
important cause		0.583** (0.266)	0.589** (0.265)	0.591** (0.263)
good organization		1.244*** (0.235)	1.239*** (0.235)	1.146*** (0.235)
responsibility		0.335** (0.170)	0.327* (0.170)	0.236 (0.172)
female			4.674*** (1.592)	4.347*** (1.505)
non_Caucasian			-1.104 (1.615)	
age			-0.001 (0.225)	
Constant	3.487**	-0.133	-1.044	-1.139

	(1.547)	(1.994)	(4.941)	(1.984)
L.L.F.	-2254	-2125	-2121	-2116
Observations	1116	1062	1062	1062
Number of persons	93	92	92	92

Dependent variable: unconditional giving.

Standard errors are in parentheses.

* - significant at the 10% level

** - significant at the 5% level

*** - significant at the 1% level

Table 6: Random Effect Tobit Model by Type of the Organizations

	(1)	(2)	(3)	(4)	(5)	(6)
Type	Charity	Charity	Charity	Government	Government	Government
Experiment variables	yes	yes	yes	yes	yes	yes
Perceptions		yes	yes		yes	yes
Demographics			yes			yes
Education	-3.479*** (0.639)	-3.487*** (0.685)	-3.549*** (0.686)	-0.796 (0.669)	-0.675 (0.706)	-0.690 (0.705)
P&W	-2.692*** (0.735)	-2.475*** (0.796)	-2.472*** (0.795)	-1.884*** (0.731)	-1.480* (0.816)	-1.465* (0.816)
Disaster relief	-0.227 (0.572)	-0.468 (0.605)	-0.448 (0.604)	-2.600*** (0.557)	-2.599*** (0.583)	-2.602*** (0.583)
Texas	-2.005*** (0.435)	-2.005*** (0.447)	-2.011*** (0.447)	-0.278 (0.427)	-0.491 (0.438)	-0.490 (0.438)
Dallas	-2.447*** (0.438)	-2.217*** (0.453)	-2.222*** (0.453)	-1.699*** (0.438)	-1.703*** (0.453)	-1.701*** (0.452)
Cancer-Disaster	4.381** (2.091)	4.314** (2.111)	2.444 (2.047)	5.569** (2.326)	6.017*** (2.246)	4.731** (2.247)
Cancer-Education	0.205 (2.097)	0.0110 (2.116)	-1.598 (2.053)	-1.497 (2.381)	-1.285 (2.284)	-2.401 (2.291)
P&W-Disaster	-1.881 (2.231)	-2.031 (2.252)	-3.224 (2.155)	1.150 (2.480)	1.496 (2.387)	0.706 (2.358)
important cause		0.637* (0.335)	0.647* (0.334)		0.797** (0.355)	0.808** (0.355)
good organization		0.201 (0.409)	0.199 (0.406)		0.920*** (0.321)	0.907*** (0.321)
responsibility		0.455 (0.295)	0.402 (0.293)		-0.0726 (0.242)	-0.0680 (0.242)
female			5.234*** (1.561)			3.827** (1.738)
non_Caucasian			-1.305 (1.579)			-1.077 (1.760)
age			0.0674 (0.219)			-0.157 (0.248)
Constant	5.942***	1.827	-0.371	2.447	-0.656	1.734

	(1.551)	(2.226)	(4.922)	(1.727)	(2.459)	(5.572)
L.L.F.	-1186	-1119	-1114	-1060	-1010	-1008
Observations	558	526	526	558	536	536
Number of persons	93	92	92	93	92	92

Dependent variable: unconditional giving.

Standard errors are in parentheses.

* - significant at the 10% level

** - significant at the 5% level

*** - significant at the 1% level

Table 7: Random Effect Probit Model on the Likelihood of Giving (All causes pooled)

	(1)	(2)	(3)	(4)
Charity	0.479*** (0.114)	0.381*** (0.146)	0.333** (0.145)	
Education	-0.590*** (0.200)	-0.484** (0.209)	-0.535** (0.215)	-0.088 (0.272)
P&W	-0.707*** (0.232)	-0.734*** (0.253)	-0.690*** (0.254)	-0.344 (0.308)
Disaster relief	-0.354 (0.228)	-0.583** (0.250)	-0.588** (0.254)	-0.479 (0.299)
Texas	-0.314** (0.140)	-0.426*** (0.150)	-0.456*** (0.153)	-0.430*** (0.151)
Dallas	-0.681*** (0.142)	-0.726*** (0.151)	-0.766*** (0.155)	-0.752*** (0.154)
Cancer-Disaster	2.859*** (0.359)	1.793*** (0.338)	1.916*** (0.307)	1.943*** (0.572)
Cancer-Education	-0.329 (0.273)	-0.069 (0.244)	-0.618** (0.270)	-0.145 (0.433)
P&W-Disaster	0.030 (0.235)	-0.439 (0.297)	-0.207 (0.248)	-0.153 (0.442)
charity*cancer				0.871** (0.362)
charity*education				-0.017 (0.121)
charity*P&W				0.226 (0.312)
charity*disaster				0.675* (0.355)
important cause		0.127 (0.094)	0.213** (0.088)	0.221** (0.103)
good organization		0.539*** (0.086)	0.574*** (0.086)	0.508*** (0.105)
responsibility		0.053 (0.069)	-0.007 (0.066)	-0.015 (0.075)
female			0.924***	0.586**

			(0.207)	(0.265)
non-Caucasian			-0.650***	
			(0.169)	
age			0.031	
			(0.019)	
Constant	0.228	0.269	-0.370	-0.375
	(0.251)	(0.564)	(0.639)	(0.614)
Observations	1116	1062	1062	1062
L.L.F.	-426.34	-384.18	-379.61	-375.41
Observations	1116	1062	1062	1062
Number of persons	93	92	92	92

Dependent variable: probability of giving a positive gift.

Coefficient estimates are reported.

Standard errors are in parentheses.

* - significant at the 10% level

** - significant at the 5% level

*** - significant at the 1% level

Table 8: OLS Conditional on Giving (All causes pooled)

	(1)	(2)	(3)	(4)
Charity	0.718***	0.767***	0.766***	
	(0.223)	(0.268)	(0.268)	
Education	-1.091***	-1.242***	-1.257***	-0.980*
	(0.404)	(0.415)	(0.415)	(0.537)
P&W	-0.939**	-0.666	-0.669	-0.170
	(0.456)	(0.482)	(0.481)	(0.595)
Disaster relief	-0.871***	-0.900***	-0.898***	-1.412***
	(0.333)	(0.347)	(0.347)	(0.467)
Texas	-0.779***	-0.776***	-0.780***	-0.789***
	(0.260)	(0.263)	(0.263)	(0.262)
Dallas	-1.037***	-0.874***	-0.883***	-0.883***
	(0.270)	(0.274)	(0.274)	(0.273)
Cancer-Disaster	1.925	1.641	1.026	1.025
	(1.305)	(1.324)	(1.359)	(1.370)
Cancer-Education	0.250	-0.200	-0.618	-0.839
	(1.351)	(1.368)	(1.421)	(1.422)
P&W-Disaster	0.0736	-0.474	-0.752	-1.051
	(1.482)	(1.503)	(1.532)	(1.531)
charity*cancer				0.553
				(0.631)
charity*education				0.109
				(0.255)
charity*P&W				-0.335
				(0.683)
charity*disaster				1.555**

				(0.637)
important cause		0.618***	0.621***	0.606***
		(0.217)	(0.217)	(0.216)
good organization		0.517***	0.513***	0.453**
		(0.193)	(0.193)	(0.194)
responsibility		0.306**	0.304**	0.276**
		(0.132)	(0.132)	(0.134)
female			2.141**	1.754*
			(1.048)	(1.018)
non-Caucasian			-1.569	
			(1.052)	
age			0.060	
			(0.148)	
Constant	7.259***	3.752***	2.332	3.418**
	(1.007)	(1.439)	(3.307)	(1.469)
Observations	711	677	677	677
R2	0.042	0.081	0.126	0.117
Number of persons	80	79	79	79

Dependent variable: gifts conditional giving.

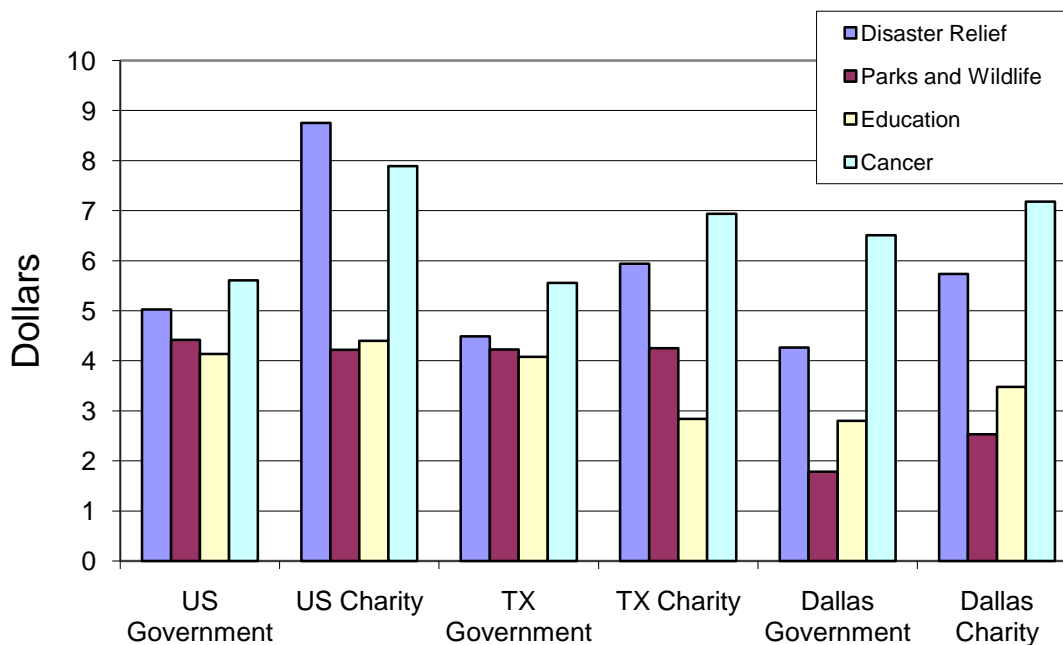
Standard errors are in parentheses.

* - significant at the 10% level

** - significant at the 5% level

*** - significant at the 1% level

Figure 1: Average Donations



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