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Lottery expenses and charitable contributions – Taiwan's experience

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Abstract

Individuals' contributions are affected by their lottery outlays if they consider their

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Notes

¹ Prior to this charitable lottery, there was a monthly game over the period 1950 to 1987 in which the prize depended on how many digits the ticket number matched the draw number from the last digit and a charitable scratch game in 1990. However, both were small-scale games with much fewer revenues and the revenue from the former game was not designated for charitable causes.

² A matching game whose prizes depend on how many digits the ticket number matched the draw number and a scratch game were also issued along with the 6/42 game in 2002. Their combined revenues comprised only a small ratio of the total revenues in 2002 and were lumped with the revenue from 6/42 game for the lottery funds.

³ As in most lotteries, the prize rolls over to the next game if no one wins the prize.

⁴ <http://www.roclotto.com.tw/topnews/news05.htm>

⁵ For example, Apinunmahakul and Devlin (2004) describe this kind of indirect charitable

⁶ Clotfelter's findings on the relationship between lottery sales and utility and demand functions imply a concave utility function.

⁷ The NT\$1 million prize is significantly greater than the estimated amount that would affect

⁸ Alternatively, the estimated amount plus 1. A 10% increase in the amount

'because of the steepness of the logarithmic function in the vicinity of one.' Boskin and

Feldstein ([1977](#)) demonstrate that the difference between the estimates from these two practices does not appear to be large.

⁹ All married couples are required to file jointly in Taiwan. However, they can choose to use a joint calculation or a separate calculation. In general, the income tax for a separate calculation is less than that of a joint calculation if the couple has similar amounts of income.

¹⁰ If taxpayers make a standard deduction in filing tax returns, then the amount of charitable giving does not affect their taxable incomes and taxes and thus the price of charitable giving is equal to one.

¹¹ Depending on the recipients of charitable giving, the total amount of deductible charitable giving may be restricted to be less than 20% of adjusted gross income.

¹² Statistics from the Ministry of Finance report that the mean value of charitable giving among taxpayers in 1998 equals NT\$3501 in current dollars. Since nonitemizers cannot deduct their charitable contributions, the statistic based on tax files is likely to underestimate the actual amount of charitable giving. Therefore, the amount reported in the survey should be close to the actual charitable contributions.

¹³ For example, if each household reports only one-sixth of their lottery expenses, then the coefficient estimate is the same as the actual coefficient since the regressions are in logarithmic form. By contrast, if the regressions are in linear form, then the estimated coefficient will be six times that of the actual coefficient.

¹⁴ The price of charitable giving is equal to one. The expected prize equals 0.

¹⁵ As shown in the figure, the standard errors of charitable giving are large for individuals with low lottery participation. This suggests that lottery participation is a good indicator of the unobservable variables that affect charitable giving.

¹⁶ For example, the bivariate regression of charitable giving on lottery participation shows a positive relationship.

¹⁷ A concave



¹⁸ Although it is theoretically possible to include the local governments' budgets on charities to control for their effect, government statistics do not make a clear distinction between charitable spending and other expenditures.

¹⁹ The marginal effect on an observable charitable contribution is $\frac{1}{26.37}$, where (Maddala, [1983](#), p. 160). The marginal effect, 0.53, is derived from the statistics in Tables 1 and 3.

²⁰ Alternatively, it suggests that an increase of NT\$5.43 ($=143.1/26.37$) in lottery expenses will induce one more NT dollar in charitable giving.

²¹ The results are not reported in the article, but are available upon request.

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