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A double-edged sword: does charity license tax cheating?

The psychological literature on giving behavior indicates that donating money to charity is driven by emotional and rational processes (Dickert et al., 2011; Zagefka and James, 2015). A person can donate to relieve stress, enhance their reputation, make themselves happy, induce feelings of pride in themselves, and increase positive affect (Bekkers and Wiepking, 2011; Aknin et al., 2020). Moreover, Zagefka and James (2015) found that donors often weigh the costs of donation against the potential benefits, these authors concluding that the making of charitable donations can be conceptualized as a self-focused behavior in which positive consequences for the donor are important.

One potential positive outcome of making donations is the gaining of moral credit whereby a prior good deed provides a "license" for one to engage in future morally questionable behaviors. This moral licensing effect can be viewed as part of a larger moral self-regulation framework (Effron and Conway, 2015; Merritt et al., 2010), a meta-analysis by Blanken et al., (2015) showing that, in addition to making charity donations, the effect touches on other everyday behaviors related to welfare, job hiring, ambiguous racial attitudes, consumer purchases, and green consumption. As a consequence of recalling a good deed (e.g., helping others, donating money to charity, or volunteering) people feel entitled to behave selfishly, anti-socially and immorally. Thus, both experimentally and in real-life, it has been observed that people often make decisions that break socially established norms when they have accumulated

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moral credits. While most of the positive consequences that people enjoy as a result of their giving behaviors are difficult to measure, there is one consequence that can be precisely calculated since charitable donations are linked to tax relief in many countries, and some authors have suggested that charitable donations are used as part of aggressive tax planning strategies (Gelles, 2018; Jones, 2018; Cooper, 2020).

In this paper, we consider how the moral licensing effect influences tax cheating decisions. We consider whether a preceding good deed (in the form of both helping others and donating money) can have an impact on tax cheating. We assumed that people recalling previous good deeds (Study 1) and people making a donation to charity (Study 2) would be more prone to tax cheating than people not recalling previous good deeds (Study 1) and people not making a donation to charity (Study 2). Study 1 asked participants to imagine a situation, while Study 2 involved actual tax payment decisions connected with real-life monetary payments. Participants in both studies (N=205) were taxpayers and taxation scenarios involved personal taxation to ensure the compatibility of scenarios with respondents' life experiences.

A two-way factorial ANOVA was used to determine the effects of recalling / not recalling good deeds and gender on tax cheating in Study 1. The analysis revealed a nonsignificant main effect of the good deeds recall manipulation, $F(1,149) = 3.62$, $p = .552$, but the main effect of gender was significant, $F(1,149) = 5.89$, $p = .016$, $\eta_p^2 = .04$. Men ($M = 26.24$, $SD = 33.19$) were more likely to cheat on tax payments than women ($M = 15.08$, $SD = 22.14$), $t(149) = -2.35$, $p = .020$. There was also a significant good deeds recall by gender interaction, $F(1,149) = 5.12$, $p = .025$, $\eta_p^2 = .03$. For women, a simple effects *t*-test revealed a significant difference in likelihood of tax cheating between the control and experimental groups, $t(64) = -2.57$, $p = .013$. Women who recalled good deeds were more likely to cheat ($M = 21.40$, $SD = 27.05$) than women who recalled meetings with others ($M = 7.94$, $SD = 11.55$). But a simple effects *t*-test for men revealed no significant difference in the likelihood of tax cheating between the control and experimental groups, $t(81) = 1.08$, $p = .284$: recalling good deeds did not lead to an increased likelihood of cheating among men.

To determine whether moral licensing had occurred in the Study 2, chi-square analysis was used to test the frequency of tax cheating in terms of applying for undue tax relief. An initial chi-square analysis revealed a significant association between group membership and outcomes of decisions as to whether to pay tax or cheat, $\chi^2(2) = 7.14$, $p = .008$. Results showed that in the group of participants who made a donation and those who did not transfer money to charity there was significantly more and less tax cheating respectively than would have been expected under the null hypothesis.

Subsequently, the analysis conducted for women revealed a significant association between group membership and outcomes of decisions as to whether to pay tax or cheat, χ^2 (1) = 7.25, $p = .007$, women in the donation and non-donation groups being respectively more and less likely to cheat than would have been expected under the null hypothesis. The equivalent chi-square analysis for men yielded a nonsignificant result, χ^2 (1) = .90, $p = .311$.

We confirmed the existence of the moral licensing effect in the domain of taxation in the case of women. In Study 1, recalling a good deed increased the likelihood that women would seek to reduce their tax liabilities by underreporting income. Likewise, in Study 2, donating to charity provided women participants with the moral credits that made them feel entitled to behave immorally in a different domain, enabling them to self-justify the acquisition of undue tax relief. These results are consistent with earlier research, and demonstrate that donating to charity can subsequently lead people to violate moral rules (Clot et al., 2013, 2014; Jordan et al., 2011). Our findings suggest that, at least for women, the moral licensing effect exists in the domain of taxation, and that it may lead to cheating on tax payments, people feeling entitled to violate moral and legal regulations because of their previous good deeds.