

One Percent for Charity (Hungary)¹

Once upon a time there was a country that pioneered in pulling out of a loathed regime. During the 1980s its boldly innovative (in fact trivial, as seen from democratic market societies) steps like introducing personal taxation, passports available to all, or recognizing South Korea were followed with jealousy from elsewhere in the Soviet Bloc, and with acknowledgement and encouragement from the west. The country remained a trendsetter for a while after the Berlin Wall had fallen and the others also set free and rushed ahead. Probably our last regime change “first” was the One Percent Act in 1996², introduced later also in Slovakia, Lithuania, Romania, Poland, and Moldova. (An antecedent to the Hungarian scheme was the “*otto per mille*”, still in effect in Italy³, whereby 0,8% of the personal income tax can be divided between the state and twelve denominations.)

The new system offered *additional finances to the civic sector*, to be decided upon by citizens independently from the state administration. The scheme—with minor modifications—has prevailed to our days, although its founders had a different vision. No-one foresaw the thousands of private associations’ dumping borne out of the compassion and concern about sick children and stray pets. The data of the Hungarian tax authority show that the latest list of beneficiaries contains no fewer than 27,854 civic organisations. Mandated by 1.6 million taxpayers, their combined benefit is 9.6 billion forints, which represents 58 “donors” or 344 thousand forints (a bit short of €1000) per recipient organization.

Additional finances to the civic sector? The civic (?) foundation behind the National Ambulance Service received the largest amount, 230 million forints from 39 thousand citizens: this adds a mere half percent to the budget of this public body. Similar is the case with the 186 million of second seated Pál Heim Children's Hospital. What else could be a more genuine state obligation than financing them to the full?

Additional finances to the civic sector? By this barely visible half percent? The Hungarian government spends in the order of 9.6 billion forints (the total of the 1% allowance) upon single projects every other week, ranging from restoring historic buildings, sponsoring sports events, subsidizing semi-public universities etc.

¹ *Apró a múltból* in the weekly *Magyar Narancs* (29 October, 2020) was based on this paper.

² Act CXXVI of 1996 on the use of a specified part of personal income tax at the mandate of the taxpayer

³ https://en.wikipedia.org/wiki/Eight_per_thousand

Tao, the bigger brother

After that individual taxpayers could mandate 1% of their income tax to the benefit of a selected organization from 1996, enterprises producing corporate tax have also received similar authority. That began with the complex system of tax benefits to film production in 2004, extended to the performing arts from 2009 (“culture *tao*”), then in 2011 to “spectacular sports” (“sports *tao*,” mainly football). They are called *tao* by the acronym of the Hungarian for company tax: *társasági adó*. Firms, similar to individual citizens in the one percent scheme, can thereby directly subsidise selected organisations instead of disbursing into the common national coffer.

In 2017-2018 the media—especially the independent web portals—disclosed cases of blatant misuse of the culture *tao*. Rumours about frauds in the order of hundred thousand forints circulated in the theatre and music communities, mainly about fictitious performances and audiences, which were the basis of calculating the amount of the support. Instead of fixing the loopholes of the system—to which the professions have put forward various proposals—the government abruptly called an end to the culture *tao* in November 2018.

Since over the years the revenue arriving from *tao* had grown into an important and fairly predictable component of the budget of each theatre, (symphonic) orchestra, and several art festivals, the government felt obliged to devise a compensation mechanism. In the 2019 national budget a dedicated provision of 37.4 billion forints was supposed to compensate for the disappearing *tao* money. (This new allocation has appeared in the subsequent annual budgets as well.) While the *tao* scheme used to bear certain degree of spontaneity—firms and theatres coupled for the donation upon their choice—the use of the new resource is left entirely to the discretion of the government.

How much bigger is *tao* than the 1% scheme? Filmmaking *tao* taps corporate tax receipts of the state about as much as the 1% does to the treasury’s individual income tax revenue. The 37.4 billion of the last year of the defunct cultural *tao* was nearly four times bigger. The real hit is the sports *tao*, which absorbs about 15 times more each year.

Beyond size, the other difference is *transparency*. The names and addresses of the 27,854 beneficiary organisations in the 1% programme are accessible together with the amounts received and the number of taxpayers that have mandated them. In addition, each organisation is obliged to disclose the detailed use of the subsidy on its website. This is in sharp contrast with the sports *tao*: it requires stamina from opposition media to churn out data—often with the help of the judiciary—from the recipient sport clubs about the use of the billions deviated to them from public coffers.

One more aspect of difference is *sovereignty*. Citizens are free to choose from the list without taking existential risks (for the time being). Business firms, on the other hand, are conscious about the substance of their indirect *tao* donation. This motivates them to put Puskás Akadémia Football Club in the prime minister’s village on top of the list of *tao* recipients year after year.

A poll of public mood

How do people use their sovereignty in their 1% mandates? In spring 2020, on occasion of the tax return, 1.6 million taxpayers directed 1% of their income tax to one of the 27,854 candidates. (It is optional to do so.) The decisive majority chose organisations in health (mainly sick children), followed by dog and cat shelters. Foundations attached to schools and kindergartens fared well, too. Beneficiaries include lots of local organisations active in various community activities, often on a wide range like heritage, amateur arts, sports etc. An exhausting sorting of the list of 27,854 is a hopeless undertaking, One would have to google a lot to unfold what is behind the enigmatic names of some organisations. We are focusing on two groups only: those with political loading and those from the cultural sector.

From the recipients' list we handpicked organisations bearing a certain degree of political loading and were selected by at least 300 "donors" (citizens offering 1% of their income tax). For Hungarian readers, the table below is astounding. The ruling power that possesses two thirds of parliamentary seats and an even larger share of media outlets can rely on no more than the four organisations with asterisk (*, and their donors). All the other twelve bodies are definitely disprivileged by the government. Klubrádió, most favoured by citizens in this circle, is the only truly opposition broadcaster in the country whose licence hangs by a thread.

Rank	Name	Donors	Million forints
38	Szabad Sávért Alapítvány (Klubrádió)	4 185	32.7
68	Tilos Kulturális Alapítvány (Tilos Rádió)	2 487	18.6
78	Igazgyöngy Alapítvány	2 219	18.6
83	Oltalom Karitatív Egyesület	2 116	16.4
86	Mária Rádió Egyesület *	2 015	11.6
190	Magyar Helsinki Bizottság	865	6.9
195	Menhely Alapítvány	820	7.2
197	Kettős Mércé Blog Egyesület	813	5.5
207	Jézus Társasága Alapítvány (Jesuits) *	758	5.6
237	Chabad Lubavits Zsidó Nevelési és Oktatási Alapítvány *	667	3.1
271	Élet és Irodalom Közhasznú Alapítvány	572	4.9
295	Független Újságírók Alapítványa (journalists)	518	5.4
326	Háttér Társaság (LGBTQI)	475	3.4
363	Transparency International Magyarország	424	4.2
503	Magyar Cserkészszövetség (boyscouts)*	308	1.8
506	Amnesty International Magyarország	307	2.1

(**Rank** shows the position on the list by the number of „donors”, i.e. citizens that have mandated 1% of the income tax to the respective organisation.)

The phenomenon may be interpreted variously. At face value one can treat it as a genuine record of the political sympathies of the population of the country, concealed

in all other surveys. More realistic is the guess that the 1% scheme is the collection point of a disqualified minority, those who remain outside of the range of official cornucopia. One can also propose that these twelve organisations have improved their fundraising skills through international training. Or else that instead of political targets the supporters of the government favour pious causes like human and animal health, local communities or cultural heritage.

Culture in the 1% scheme

Advocates of culture took a very active part in the preparation of the One Percent Act. During the months of this process, they were calculating with eager anticipation whether ten, fifteen, or an even higher percent of the offers would hit cultural organisations. In actual fact, if we take a broad definition of culture, its share oscillates around 1%, both by money and by mandating citizens. Among the top 500 of recipients in the latest list we find no more than two art organisations!

Rank	Name	Donors	Million forints
240	Pintér Béla és Társulata – an independent theatre company	653	5.7
376	Golgota Művészeti Alapítvány – a gospel choir and band	411	2.7

As it was said before, beneficiaries often withstand easy categorisation. The numerous local community organisations almost always include culture among their pursuits and practically every art school in the country runs a foundation that qualifies for the 1% provision. In all, the full list contains 400-500 organisations that could be entitled to a grant at one or other board of National Cultural Fund, as a rough criterion of being “cultural”. Wind bands figure in the list in great number, with the Wind Orchestra of the city of Tiszavasvár on top boasting 211 sponsoring taxpayers. It looks odd next to the 74 supports to the National Opera, 42 to the Liszt Music Academy or 16 to the National Széchényi Library. (National cultural institutions are eligible owing to a special provision. This apparently brings them more embarrassment than profit.)

On the total list of 27,854 we spotted 63 cultural organisations that could probably claim national renown. They were offered altogether 24.2 million forints (about 67 thousand euro) by 3327 citizens—provided the money is not held back due to tax arrears, which happens now and then. This much, less than 1% of the one percent scheme benefits culture. A tiny drop. The culture minister donates that much to selected single beneficiaries from his own appropriation at the National Cultural Fund at monthly frequency, owing to an absurd authorisation that is unique in Europe.

We have picked three more cases, of internationally famed art organisations further down the list, still within the top 2000.

Rank	Name	Donors	Million forints
1.410-1.423	Ördögkatlan Festival	135	0.9
1.434-1.451	Cantemus Choirs	133	0.7
1.452-1.463	Budapest Festival Orchestra	132	2.7

The average subsidy of the 63 organisations that we identified as cultural was 7.272 forints (ca 20 euro). It is about a quarter more than the average of all 27,854 recipients which confirms the perception that being fond of (“high”) culture is a feature of those better off. As every average, the 7.272 forints concealed substantial differences on a broad range. We put the extremes within the 63 cultural organisations in the following table. (There is a certain piquancy in the distance between the incomes of the two supporters of the national Music Council and of the Composers’ Association. Since in Hungary there is no regressive taxation, the scale of the 1%-s expresses the real income scale.)

Rank	Name	Donors	Forints per donor
25.414-26.680	Magyar Zenei Tanács (Hungarian Music Council)	2	15.698
11.820-12.240	Városi Színház / Rózsavölgyi Szalon (a private theatre)	21	15.541
22.114-23.135	Dumaszház (a standup stage)	5	14.640
1.452-1.463	Budapest Festival Orchestra	132	13.147
	(average)		7.272
10.726-11.082	Kis Virtuózok Alapítvány (a televised talent show)	24	4.138
10.065-10.371	Karaván Színház (a Roma theatre company)	26	3.705
25.414-26.680	Magyar Zeneszerzők Egyesülete (composers’ association)	2	2.873
26.681-27.854	Új Színház (a Budapest theatre with nationalist leaning)	1	1.406

How is this done elsewhere?

The eye gets stuck on the single modest income promoter of the Új Színház. The ranking numbers attest that it is not a singular case, over a thousand beneficiaries have attracted one donor only. Are there similar peculiarities in the similar schemes in other countries?

The one percent programme of Poland offers most knowledge on the Internet. One learns little about the history and considerations but can see the outcome. The Polish list of beneficiaries is only 8.743 items long. They have a two-tier income tax regime with rates of 18 and 32% (against the flat 15% in Hungary), and there are nearly four times more Poles than Hungarians. These three factors result an enormous difference in the size of benefit that an organisation receives. The Polish average is more than 100.000 zlotys per beneficiary, which is about 24 times more than the average in the Hungarian one percent scheme.

Furthermore, there is a greater concentration of cultural organisations on the Polish list. Way above the rest is the subsidy accumulated by 191 thousand taxpayers to the

benefit of the [*Wielka Orkiestra Świątecznej Pomocy*](#), the Great Orchestra of Christmas Charity, whose significance for Poles matches that of the Prom to the British.

The beneficiaries of the respective Romanian and Moldovan programmes also gain more than those in Hungary due to the higher percentages. In the former it was raised to 3.5% as of 2020, and in the latter case it has been 2% from the outset. (Thus the “one percent” provision in Moldova is in fact a “two percent” scheme.)

(A remark must be made about the more widespread connotation of “one percent scheme”, whereby 1% of public construction budgets must go on art works. That system has been in force in several places since the middle of the twentieth century.)

Conclusion

The comparison with similar provisions abroad confirms that the Hungarian one percent scheme delivers too little in a very fragmented way at the expense of disproportionate burden on the taxation administration. Every spring, however, the programme mobilises the civic society. It produces a virtual nationwide fair where the tens of thousands of NGOs come out and display who they are and what they offer. Millions of citizens get conscious about their existence, browse the relevant websites and join the solidarity quiz. Not everyone though, last time about thirty percent of taxpayers took the pain to mandate their 1% to a selected charity. This is a game where each player has one life: the 1% cannot be divided among contenders.

Beyond the significance that the programme has for the civic sector, a degree of patriotic reverence is perhaps also due: the scheme—together with the National Cultural Fund—makes one remember the time when Hungary was a forerunner in the regime change.

Nevertheless, the device would deserve some shake-up. It should be promoted much stronger, with the aim of boosting the share of participants up from the actual one third. The construction also needs an overhaul. The percentage rate could be raised from one to two or even three à la Romanian. Eligibility to the benefit should obviously be drawn narrower—but in the actual state of political dividedness one is concerned about the bias that any change could plant into the scheme. Also, it cannot be excluded that if the ruling power becomes conscious about the distribution of political sympathies revealed in our first table, they might scrap the system altogether just as they did with the “culture *tao*”. So please, do not diffuse these findings and delete this paper from your device after reading.

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