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## ALLOCATION OF FUNDS UNDER THE 1% TAX DONATION SCHEME TO PUBLIC BENEFIT ORGANIZATIONS BY TYPE OF LOCALITY IN POLAND

### AŁOKACJA ŚRODKÓW W RAMACH PROGRAMU 1% PODATKU NA RZECZ ORGANIZACJI POŻYTKU PUBLICZNEGO WEDŁUG RODZAJU MIEJSCOWOŚCI W POLSCE

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**ABSTRACT:** This paper focuses on analyzing the allocation of funds obtained from 1% of PIT and CIT to public benefit organizations in Poland. The conducted research is based on statistical data sources from the Central Statistical Office of Poland, Department of the Public Benefit, Ministry of Finance and Ministry of Labor and Social Policy. The analysis covers the years 2010 and 2016, showing a dependence between the number, type of location, type, statutory objective of organizations and the funds collected by these organizations under the 1% scheme.

**KEYWORDS:** 1% of PIT and CIT, allocation, public benefit organizations

**ABSTRAKT:** Artykuł dotyczy analizy alokacji środków z 1% podatku na rzecz organizacji pożytku publicznego w Polsce. Przeprowadzone badania oparte są na danych statystycznych GUS, Departamentu Pożytku Publicznego, Ministerstwa Finansów oraz Ministerstwa Pracy i Polityki Społecznej. Badanie obejmuje 2010 i 2016 rok. Artykuł wykazuje zależność pomiędzy liczbą, typem lokalizacji, rodzajem, celem statutowym organizacji a zebranymi przez te organizacje środkami w ramach mechanizmu 1%.

**SŁOWA KLUCZOWE:** 1% podatku, lokalizacja, organizacje pożytku publicznego

## Introduction

For over a dozen years now taxpayers in Poland have had the option to donate 1% of their personal income tax. Introduced into Polish legislation in 2004, this scheme was modelled on a similar solution introduced in Hungary (Piechota, 2010). With the introduction of the so-called 1% tax donation scheme into the Polish tax system, income

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tax payers were given the option to give away a portion of their tax to the public benefit organization (PBO) of their choice (Czetwertyński, 2016).

Initially, the new 1% tax participation scheme failed to gain much recognition among taxpayers. In its first year, 2005, the new tax solution was used by approximately 80000 taxpayers who donated PLN 10.4 million as part of the 2004 tax settlements. As this form of supporting NGOs grew in popularity, so did donations under the 1% scheme. In 2017, over 13.6 million taxpayers gave away their 1% as part of the 2016 tax settlements for a total of PLN 660.2 million. Though this option has existed for over a dozen years in the Polish tax system, the aforementioned 13.6 million taxpayers accounted for only 50% of all taxpayers eligible to donate a portion of their tax with the sum donated representing 0.76% of the collected tax. This is due to the fact that the decision to donate the 1% may also be affected by the value of the underlying write-off. Additionally, the number of organizations entitled to receive donations has been increasing with each year. In the first year of operation of the analyzed mechanism, there were 2167 such organizations with the number growing to 8238 in 2017.

The causes most popular among donors have traditionally included social assistance, sports, tourism and recreation, healthcare and education. On the other end of the donation spectrum there are security, culture and arts, as well as local development (Kietlińska 2015).

The 1% market is an excellent research area due to the fact that it can be treated as an unintentional consequence of intended activities. This is not about the fact that funds go to PBOs, as this is an intended activity, but rather about the functioning of the competition mechanism and the resulting distribution of funds on the demand side (Czetwertyński 2016).

The purpose of this article is to focus on one of the aspects of the 1% scheme, namely the allocation of funds. This paper tracks the changes and trends occurring in the allocation of funds from the 1% by locality type and statutory objectives of PBOs<sup>1</sup> in Poland in 2010 and 2016. To provide a complete overview of this process, the changes in the number of PBOs according to the above criteria were also analyzed. The research hypothesis states that the allocation of funds from the 1% scheme depends on the location of PBOs (village-town), organization type and statutory objective.

## Research methodology and data sources

This article is based on the method of statistical analysis of available data and its visualization in the form of tables and overview maps. The basic source of data used in this paper is the annual reports of the Ministry of Finance (MoF) entitled *Informacja dotycząca kwot 1% należnego podatku dochodowego od osób fizycznych przekazanych organizacjom pożytku publicznego* [Information on the Amounts of 1% of Personal

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<sup>1</sup> PBOs – Public Benefit Organizations.

*Income Tax Donated to Public Benefit Organizations*] for 2010 and 2016 settlements, which specify the PBO's name and the amount donated to it as part of the 1% scheme. In order to locate individual PBOs, the list entitled *Wykaz organizacji pożytku publicznego uprawnionych do otrzymania 1%* [*List of public benefit organizations eligible to receive 1% donations*], containing specific PBOs' addresses, published on the MoF's website, was used. The type of locality, type and main statutory objective of PBOs were defined by the author of this article.

The Public Benefit and Volunteer Work Act of 24 April 2004 (as amended) and examples of the typology of non-governmental organizations (Herbst, 2005; Kołodziejczyk, 2008), including PBOs (Halszka-Kurleto, 2008; Nizio, 2012), were the basis for developing a proprietary PBO typology by type and main objective.

Thus, PBOs have been divided into three basic types:

- associations – a group of people (at least 15) brought together by a main objective, a shared idea,
- foundations – established for social or economic purposes, having assets allocated to accomplishing these purposes; established by a founder,
- social religious organizations – i.e. legal entities registered in REGON (National Official Register of Business Entities), or local entities of churches and religious associations, conducting social activities, as well as sports clubs operating as associations.

For the purposes of spatial analysis of the allocation of funds under the 1% scheme, a proprietary typology of statutory objectives was created, covering PBOs involved in the following areas of life:

- sports/tourism/hobbies: includes mainly sports organizations, school sports clubs, organizations focusing on hobbies, e.g. model-building, organizations established to develop tourism in specific locations or areas;
- education/science/schooling: covers PBOs involved in supporting the development of specific educational institutions, granting scholarships, sponsoring research and various training;
- culture/arts: includes organizations established for the purpose of saving monuments, supporting the development of art (mainly visual arts and music), supporting talented people involved in culture or arts;
- social assistance: covers PBOs whose main objective is to help the homeless, and those in a difficult life, financial and, partially, health situation;
- healthcare: includes organizations that support the sick, but also PBOs supporting specific medical facilities;
- local development: covers PBOs whose main objective is to support the development of specific localities (mainly villages), caring for their appearance, image and economic development;
- environmental protection: covers organizations focusing on environmental protection in its broad sense, but also entities that help animals (chiefly cats and dogs);
- safety: PBOs supporting volunteer fire departments, functioning of local police stations or educational programs aimed at improving security in a given area.

In this article, types of localities were divided according to formal and statistical criteria. On the basis of this division the following categories were identified: villages (settlement units without an urban status; formal criterion), small towns (localities with 20 000 inhabitants; statistical criterion), mid-sized cities (settlement units with 20 000 to 100 000 inhabitants; statistical criterion) and large cities (above 100 000 inhabitants; statistical criterion).

## Results of tests and analyses

In Poland, regarding the PBO's type, associations prevail, as they numbered 4856 and 6010 in 2010 and 2016, respectively, which represented, depending on the analyzed year, approximately 74-73% of all PBOs in Poland (Table 1). The dominant position of associations over other types of PBOs may be attributable to their legal nature and distinct organizational framework. As already mentioned, associations are founded by a group of at least 15 adults who choose their president and management board from among their members. Associations are usually established by groups of people who know each other (friends or people grouped in informal interest groups) in order to pursue a specific task, objective or project. As a consequence, these organizations usually have few members and thus every one of them can feel that he/she has an actual influence on its functioning.

It is worth noting that by type of locality, associations are slightly more often selected as the primary form of PBO in small localities (villages, small towns) than in big cities (mid-sized and large cities), with the differences reaching as much as 15-20% (Table 1). This may follow from the fact that in towns, on account of their size, the process of social integration may be at a higher level and it is easier to create a common interest group based on mutual relations created over a number of years in local communities.

In terms of popularity, the second type of PBOs in Poland are foundations which are gaining popularity with each year (in 2010, there were 1324 foundations, i.e. 20.3% of all Polish PBOs, in 2016 – 1831 (22.2%)) (Table 1). Depending on the type of locality, the share of foundations in the total number of PBOs varies. Foundations are most numerous in large (approx. 28-30% of total PBOs) and mid-sized cities (approx. 14-16%). This may be attributable to the legal form of foundations and their image. Poles usually perceive foundations as organizations that help the needy and as entities having a regional or national reach (Kietlińska 2015). Thus, it should come as no surprise that their number and share in the PBO structure is growing with every year on account of their founders' attempts to reach the widest possible group of tax payers with their objective (message) to maximize the support they receive as part of the 1% scheme.

The least common type of PBOs in Poland is the so-called social religious organizations, whose founding and managing body must be a religious entity. The share of such PBOs is declining year by year in the national structure of PBOs (in 2010, there were 353 such organizations, representing 5.4% of total PBOs in Poland and in 2016

– 397 (4.8%)) (Table 1). Such PBOs are most prevalent in large cities as these types of settlement units are most populous and they are home to a fairly significant number of religious organizations capable of creating social religious organizations. One of the reasons for the decline in the popularity of these organizations, as manifested by their dwindling ranks, may be explained by the progressing atheization of the Polish society.

When examining the number of PBOs in Poland, it is worth noting their spatial distribution. The vast majority of non-governmental organizations is seated in large cities (3846 PBOs, accounting for 46.7% of all PBOs in Poland in 2016), mid-sized cities (2016 – 1839 PBOs (22.3%)) and in rural areas (2016 – 1491 PBOs (18.1%)), with small towns coming in last (2016 – 1062 (12.9%)) (Table 1). This structure of PBOs is attributable to the number of inhabitants of respective types of localities.

Table 1

PBOs by type and type of locality in Poland in 2010 and 2016

PBO type	Poland		Villages		Small towns		Mid-sized cities		Large cities	
	total	%	total	%	total	%	total	%	total	%
2010										
Associations	4856	74.3	946	81.9	715	87.4	1143	79.4	2052	65.7
Foundations	1324	20.3	161	13.9	78	9.5	206	14.3	879	28.2
Social religious organizations	353	5.4	48	4.2	25	3.1	90	6.3	190	6.1
Total	6533	100.0	1155	100.0	818	100.0	1439	100.0	3121	100.0
2016										
Associations	6010	73.0	1217	81.6	900	84.7	1449	78.8	2444	63.5
Foundations	1831	22.2	221	14.8	126	11.9	296	16.1	1188	30.9
Social religious organizations	397	4.8	53	3.6	36	3.4	94	5.1	214	5.6
Total	8238	100.0	1491	100.0	1062	100.0	1839	100.0	3846	100.0

Source: own study based on *Informacja dotycząca kwot 1% należnego podatku dochodowego od osób fizycznych przekazanych organizacjom pożytku publicznego za 2010 i 2016 rok*, Ministry of Finance, Department of Income Taxes, Warsaw.

The analysis of the spatial distribution of the major PBO clusters in Poland (above 10 PBOs) by strict locations in 2016 shows that the highest number of such entities is located in: Warsaw (873), Wrocław (296), Kraków (250), Łódź (196), Poznań (193) and Gdańsk (185). Among mid-sized cities, most PBOs are based in: Jelenia Góra (36), Leszno (35), Przemyśl (32), Słupsk (31), Suwałki (31), Nowy Sącz (30) and Sopot (30). In the town category, only four of them housed more than 10 PBOs: Łańcut (14), Limanowa (11), Głubczyce (11) and Praszka (10). No village had more than nine PBOs (Fig. 1).

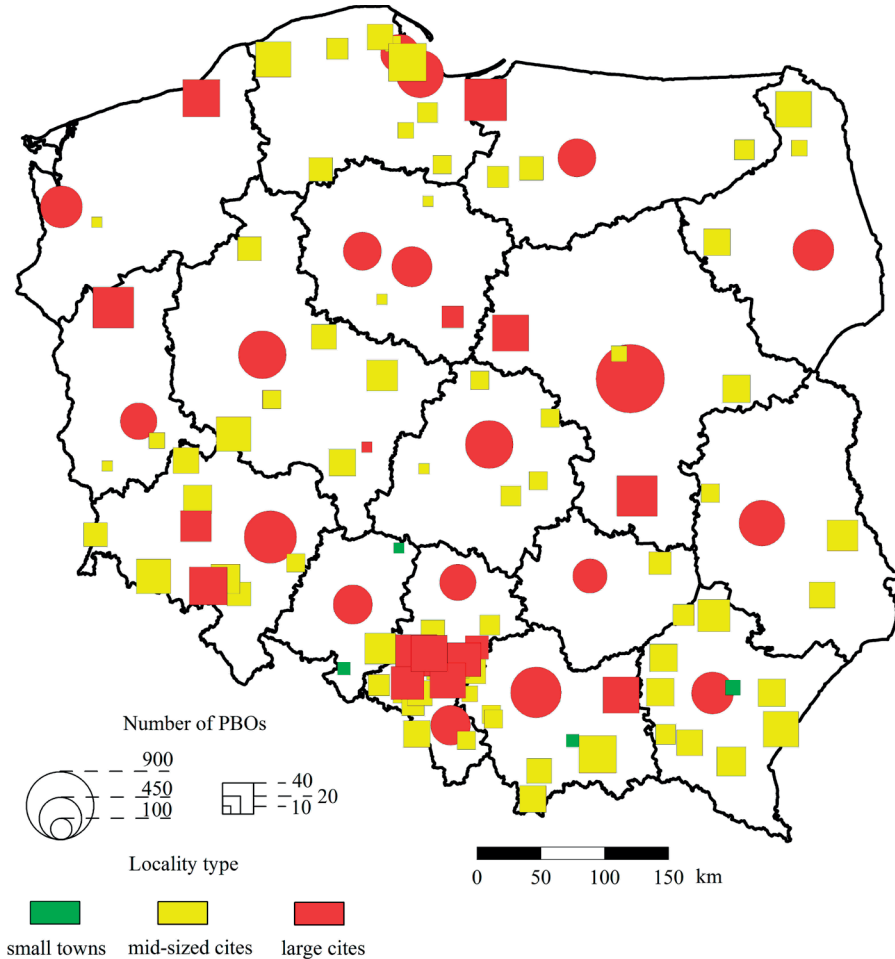


Fig. 1. Distribution of PBOs in Poland by locality type in 2016 (at least 10 PBOs)

Source: own study based on *Informacja dotycząca kwot...*

Very interesting conclusions may be drawn by analyzing the allocation of funds acquired by PBOs under the 1% scheme, according to their type and location. In Poland, as regards the funds raised under the 1% scheme, foundations prevail, as in 2010 they raised PLN 236.1 million, and in 2016, PLN 426.9 million, which accounted for 59.0% and 64.7% of all the funds raised under the scheme by the PBOs in 2010 and 2016, respectively (Table 2). Thus, there is a pronounced increase in the significance of foundations in acquiring funds under the 1% mechanism in the national scale, which can be attributed to their more extensive reach than that of the other two types of PBOs.

The role of foundations in acquiring funds from the 1% scheme is also largely related to their location by locality type. Foundations owe their position mainly to having their

seats in large cities and the capability of achieving a national reach. In 2010, foundations in large cities received PLN 205.9 million (87.2% of the total funds donated to foundations in Poland) and, in 2016, PLN 355.1 million (83.2%). Foundations were the least successful in raising funds under the 1% scheme in small towns, where they received PLN 2.7 million (1.1% of the total amounts obtained by foundations in Poland) and PLN 7.3 million (1.7%) in 2010 and 2016, respectively (Table 2).

Although associations in Poland are most numerous (approx. 73-74%), their share in acquiring funds from the 1% is much smaller. In the analyzed years, PBOs of this type were able to raise PLN 138.4 million in 2010, and PLN 200.9 million in 2016, which accounted for, respectively, 34.6% (2010) and only 30.4% (in 2016) of all funds raised under the 1% scheme by PBOs (Table 2). Such a trend in the allocation of funds under the 1% scheme demonstrates the declining role of the scheme in subsidizing the operation of associations in favor of foundations on account of their diminishing reach and capacity to target a larger group of taxpayers.

Associations were most successful in terms of 1% donation sourcing in small towns, where the collected amounts accounted for 73.6% (2010) and 60.7% (2016) of all the funds collected by PBOs in this type of locality. In turn, their poorest performance was recorded in large cities, where they collected 28.4% (2010) and 27.0% (2016) of the total funds under the 1% scheme (Table 2).

Similarly as in terms of numbers, also with respect to the role in acquiring funds under the 1%, social religious organizations ranked last among all types of PBOs. In 2010, these organizations acquired only PLN 25.7 million, which accounted for 6.4% of all the funds under the 1%. While in 2016 the global value of funds received by social religious organizations climbed to PLN 32.4 million, their share in the general structure of revenue under the 1% scheme of PBOs fell to 4.9% (Table 2). This trend confirms the earlier observation that the role of this type of PBO is markedly declining on the national scale.

Split by locality types, social religious organizations played the most significant role in mid-sized cities, where they received PLN 5.2 million (2010) and PLN 7.0 million (2016), which accounted for 13.1% and 12.3%, respectively, of all the funds acquired by the PBOs in such localities. The performance of social religious organizations with respect to sourcing 1% donations was the poorest in small towns and villages, which may be attributable to the insufficient population of such localities, which prevents the operation and foundations of these specific PBOs (Table 2).

When examining the funds collected by PBOs as part of the 1% scheme in Poland, it is worth noting the aspect of allocating donated funds as a whole. By far, the most funds under the 1% are acquired by PBOs located: in large cities (PLN 518.5 million, which accounted for 78.5% of the funds collected in Poland in 2016), in rural areas (2016 – 64.1 million PLN (9.7%)) and in mid-sized cities (2016 – PLN 56.9 million (8.6%)). PBOs performed the worst in small towns (2016 – PLN 20.6 million (3.1%)) (Table 2). This structure of funds collected under the 1% scheme by PBOs, as already mentioned, stems from the number of inhabitants living in individual types of localities in Poland.



Table 2

Funds acquired by PBOs under the 1% scheme by type and type of locality  
in Poland in 2010 and 2016 (in PLN million)

PBO type	Poland		Villages		Small towns		Mid-sized cities		Large cities	
	total	%	total	%	total	%	total	%	total	%
2010										
Associations	138.4	34.6	15.5	43.9	9.2	73.6	24.9	62.9	88.8	28.4
Foundations	236.1	59.0	18.0	51.0	2.7	21.6	9.5	24.0	205.9	65.8
Social religious organizations	25.7	6.4	1.8	5.1	0.6	4.8	5.2	13.1	18.1	5.8
Total	400.2	100.0	35.3	100.0	12.5	100.0	39.6	100.0	312.8	100.0
2016										
Associations	200.9	30.4	18.7	29.2	12.5	60.7	29.5	51.8	140.1	27.0
Foundations	426.9	64.7	44.1	68.8	7.3	35.4	20.4	35.9	355.1	68.5
Social religious organizations	32.4	4.9	1.3	2.0	0.8	3.9	7.0	12.3	23.3	4.5
Total	660.2	100.0	64.1	100.0	20.6	100.0	56.9	100.0	518.5	100.0

Source: own study based on *Informacja dotycząca kwot...*

The analysis of the distribution of funds under the 1% scheme (in excess of PLN 1 million) acquired by PBOs in Poland according to strict locations in 2016 shows that the most funds under the 1% scheme were donated to PBOs based in: Warsaw (PLN 305.5 million), Wrocław (49.8), Kraków (28.2), Łódź (16.6), Poznań (14.6), Częstochowa (13.7) and others. In the case of mid-sized cities, only eight PBOs were successful in collecting a total of more than PLN 1 million: Siedlce (PLN 5.7 million), Rumia (4.8), Grodzisk Mazowiecki (3.9), Nowy Sącz (1.4), Zawiercie (1.3), Zakopane (1.2), Przemyśl (1.1) and Mysłowice (1.0). In the town category, only PBOs based in two small towns managed to acquire more than PLN 1 million: Złotów (PLN 4.4 million) and Puck (2.4). Interestingly, in as many as six rural villages, PBOs gathered more than PLN 1 million: Stawnica (PLN 29.7 million as the seat of the *Słoneczko* Foundation), Wolica (5.8 – *Pomagaj* Children's Foundation), Bojano (4.8 – Polish National Society for the Protection of Animals”), Raba (3.2), Laski (1.3) and Dziekanów Leśny (1.2) (Fig. 2).

In Poland, with respect to the statutory objective, PBOs, in terms of numbers, are dominated by organizations focusing on healthcare (25-27% of all PBOs), social assistance (20-21%), sports, tourism and hobbies (16-17%), as well as education, science and schooling (14-15%). On the trailing end are PBOs involved in environmental protection (approx. 3%), security (approx. 3%), culture and arts (approx. 7%) and local development (approx. 9%) (Table 3). Such a quantitative structure of PBOs according to their



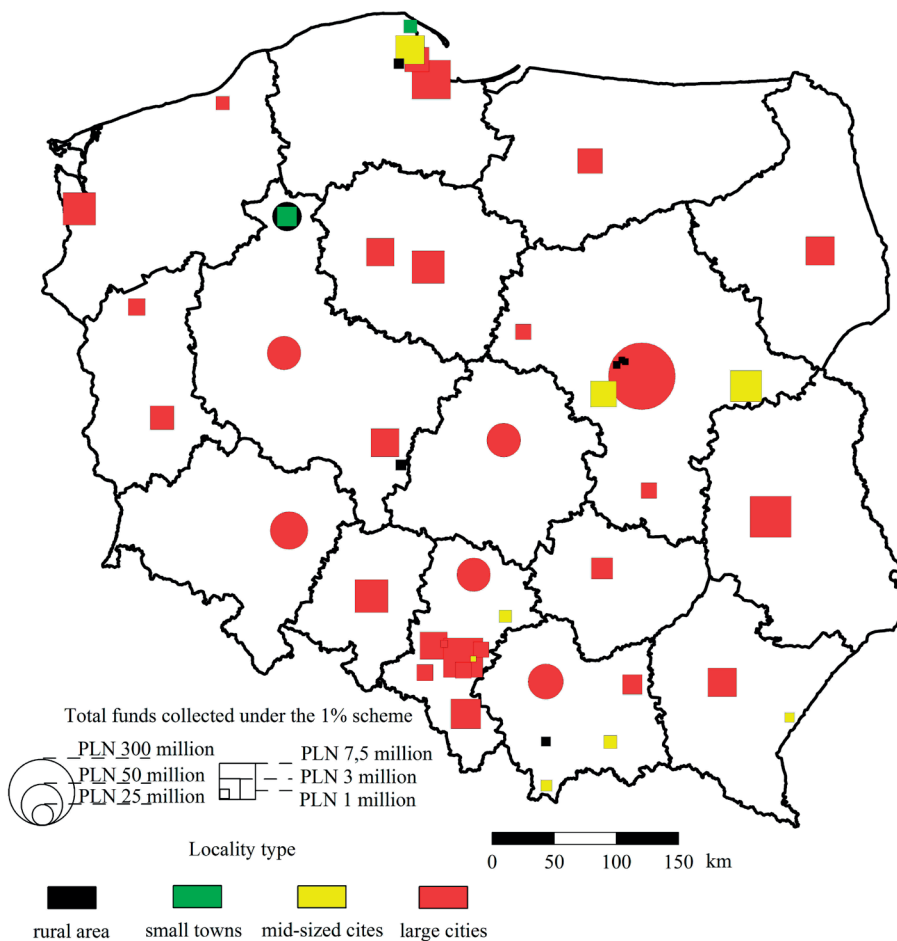


Fig. 2. Allocation of funds from 1% in Poland in 2016 (at least PLN 1 million)

Source: Own study based on *Informacja dotycząca kwot...2016*.

statutory objective may follow from the hierarchy of objectives of Poles themselves (taxpayers), who prioritize helping another person over focusing on self-development and other areas of life.

Depending on the type of locality, the structure of BPBOs according to their statutory objectives varies. Based on the attached data (Table 3), it can be stated that:

1. In small localities, i.e. in villages and small towns, in terms of the number of PBOs:

- The share of organizations focusing on the following is higher: sports, tourism, hobbies (by 1-2% in villages and 4-5% in small towns), local development (by 13-14% in villages; by 3-5% in small towns) and security (by 6-7% in the countryside) than the average national share of these organizations. This is related to the type and nature of these localities. In smaller localities, people support organizations that change their

surrounding space (e.g. by building jogging paths, exercise equipment, etc.) or take care of their safety (insufficient police patrols in towns). They support PBOs whose operation is readily noticeable.

b) The share of organizations focusing on the following is lower: healthcare (by 10-11% in rural areas; by 1-2% in small towns), social assistance (by 4-5% in rural areas; by 2-3% in small towns) and education, science and schooling (by 5% in the countryside; by 2-3% in small towns) than the average national share of these organizations. PBOs active in the healthcare and social assistance sector in Poland are usually represented by nationwide foundations, which, using the so-called sub-accounts, collect funds under the 1% scheme for individual persons (Makowski, 2011). In this sector, founda-

Table 3

PBOs by statutory objective and type of locality in Poland in 2010 and 2016

PBO objective	Poland		Villages		Small towns		Mid-sized cities		Large cities	
	total	%	total	%	total	%	total	%	total	%
2010										
Sports/tourism/hobbies	1111	17.0	216	18.7	178	21.8	286	19.9	431	13.8
Education/science/ Schooling	962	14.7	112	9.7	99	12.1	183	12.7	568	18.2
Culture/arts	460	7.0	59	5.1	50	6.1	90	6.3	261	8.4
Social assistance	1358	20.8	191	16.5	153	18.7	277	19.2	737	23.6
Healthcare	1687	25.8	174	15.1	189	23.1	448	31.1	876	28.1
Local development	589	9.0	265	22.9	114	13.9	99	6.9	111	3.6
Environmental protection	169	2.6	32	2.8	12	1.5	34	2.4	91	2.9
Security	197	3.0	106	9.2	23	2.8	22	1.5	46	1.5
Total	6533	100.0	1155	100.0	818	100.0	1439	100.0	3121	100.0
2016										
Sports/tourism/hobbies	1376	16.7	268	18.0	225	21.2	348	18.9	535	13.9
Education/science/ Schooling	1197	14.5	150	10.1	135	12.7	244	13.3	668	17.4
Culture/arts	568	6.9	65	4.4	68	6.4	119	6.5	316	8.2
Social assistance	1690	20.5	254	17.0	200	18.8	343	18.7	893	23.2
Healthcare	2182	26.5	239	16.0	255	24.0	584	31.8	1104	28.7
Local development	702	8.5	325	21.8	132	12.4	116	6.3	129	3.4
Environmental protection	279	3.4	46	3.1	18	1.7	61	3.3	154	4.0
Security	244	3.0	144	9.7	29	2.7	24	1.3	47	1.2
Total	8238	100.0	1491	100.0	1062	100.0	1839	100.0	3846	100.0

Source: own study based on *Informacja dotycząca kwot...*

tions based in towns stand no chance of competing with foundations having a national reach and recognition.

2. In larger localities, such as mid-sized and large cities, in terms of the number of PBOs:

a) The share of organizations focusing on the following is higher: healthcare (by 5-6% in mid-sized cities; by 3-4% in large cities), social assistance (by 3-4% in large cities), education, science and schooling (by 4-5% in mid-sized cities), culture and arts (by 2-3% in large cities) than the average national share of this type of organizations. This follows from major PBOs (usually foundations) involved in healthcare and social assistance having their seats in these settlement units. Larger cities are also centers of culture and education, which explains why such PBOs are more prevalent there.

a) The share of organizations focusing on the following is lower: security (by 1-2% in mid-sized and large cities) and local development (by 5% in large cities) than the average national share of this type of organizations. This may follow from the fact that such areas of life in larger cities are much better developed than in towns, and entities involved in them can apply for co-financing of their operations from many external sources and therefore do not require additional support in the form of 1% funds.

The allocation of funds from the 1% scheme to PBOs according to the statutory objective is fairly similar to its quantitative structure. In Poland, the PBOs that receive most funds are focused on: healthcare (67-70% of the total collected amounts under the 1% scheme by all PBOs), social assistance (14-16%) and education, science and schooling (5-6%). PBOs with the worse performance are focused on: security (approx. 1%), culture and arts (approx. 1%) and local development (approx. 1%) (Table 4). Such a structure of funds acquired under the 1% scheme by PBOs broken down by their statutory objective is largely attributable to the fact that many organizations involved in healthcare allow for collecting 1% within the framework of the so-called charge sub-accounts. In fact, the actual beneficiary of the 1% is not a specific public benefit organization, but its individual charges. This way, PBOs dodge responsibility for duly pursuing the idea of public benefit and the sub-account mechanism serves as a means of privatizing funds allocated for public benefit activities (Makowski 2011). In principle, in such situations, the role of the organization is limited to managing the sub-account system, an activity for which organizations sometimes charge miscellaneous fees (Piechota 2013).

Depending on type of locality, the structure of funds gathered under the 1% scheme by PBOs varies. Based on the attached data (Table 4) it can be seen that:

1. In rural areas:

a) The share in acquisition of funds is higher than the national average in the case of PBOs involved in: environmental protection (by 5-6%) and local development (by 1-2%). This follows from the strong relationships of the inhabitants of the countryside with the natural environment and nature and their willingness to care for it.

b) The share of organizations focusing on the following is lower: education, science and schooling (by 4-5%), and, in the recent years, also social assistance (by 5%).

## 2. In small towns:

a) The share in acquisition of funds is higher than the national average in the case of PBOs involved in: sports, tourism and hobbies (by 4-7%), social assistance (by 10-15%), local development (by 5-7%) and culture and arts (by 3-4%). In towns, these fields are often associated with supporting the areas, which, on account of their size, are often underfunded in the budgets of local governments.

b) The share of organizations focusing on the following is lower: healthcare (by 15-30%) and environmental protection (by 2-3%). The underfunding of PBOs focusing on healthcare may result from the previously mentioned existence of the so-called

Table 4

Funds acquired by PBOs under the 1% by statutory objective and type of locality in Poland in 2010 and 2016 (in PLN million)

PBO objective	Poland		Villages		Small towns		Mid-sized cities		Large cities	
	total	%	total	%	total	%	total	%	total	%
2010										
Sports/tourism/hobbies	10.0	2.5	1.1	3.1	1.2	9.6	1.8	4.5	5.9	1.9
Education/science/ Schooling	24.5	6.1	0.7	2.0	0.6	4.8	5.3	13.4	17.9	5.7
Culture/arts	3.6	0.9	0.3	0.8	0.6	4.8	0.7	1.8	2.0	0.6
Social assistance	66.9	16.7	5.1	14.4	3.7	29.6	8.7	22.0	49.4	15.8
Healthcare	267.2	66.8	22.8	64.6	4.6	36.8	21.0	53.0	218.8	69.9
Local development	4.9	1.2	1.3	3.7	1.4	11.2	1.1	2.8	1.1	0.4
Environmental protection	20.0	5.0	3.7	10.5	0.3	2.4	0.9	2.3	15.1	4.8
Security	3.1	0.8	0.3	0.8	0.1	0.8	0.1	0.3	2.6	0.8
Total	400.2	100.0	35.3	100.0	12.5	100.0	39.6	100.0	312.8	100.0
2016										
Sports/tourism/hobbies	21.7	3.3	2.0	3.1	1.2	5.8	2.2	3.9	16.3	3.1
Education/science/ Schooling	33.0	5.0	1.0	1.6	0.9	4.3	12.1	21.3	19.0	3.7
Culture/arts	8.8	1.3	0.4	0.6	0.7	3.4	0.9	1.6	6.8	1.3
Social assistance	92.7	14.0	5.9	9.2	4.0	19.3	10.0	17.6	72.8	14.0
Healthcare	461.1	69.8	45.4	70.8	11.8	57.0	26.3	46.2	377.6	72.8
Local development	6.8	1.0	1.7	2.7	1.3	6.3	2.3	4.0	1.5	0.3
Environmental protection	30.1	4.6	7.2	11.2	0.6	2.9	2.3	4.0	20.0	3.9
Security	6.0	0.9	0.5	0.8	0.2	1.0	0.8	1.4	4.5	0.9
Total	660.2	100.0	64.1	100.0	20.7	100.0	56.9	100.0	518.5	100.0

Source: own study based on *Informacja dotycząca kwot...*

sub-accounts. Surprisingly, PBOs involved in environmental protection receive below average support; however, this may be attributable to the greater popularity of other causes.

### 3. In mid-sized cities:

a) The share in acquisition of funds under the 1% scheme is higher than the national average in the case of PBOs involved in: education, science and schooling (by 8-15%), social assistance (by 3-6%) and local development (by 1-3%). The above-average performance of education and science among donors may be associated with the desire to provide their children with the best start possible in the labor market in cities, where the quality of human capital is already vastly more important to employment opportunities than in smaller towns.

a) The share of organizations focusing on the following is lower: healthcare (by 15-20%). This is associated with the dominant role of large cities and PBOs located in them, involved in acquisition of funds under the 1% scheme for healthcare purposes.

### 4. In large cities:

a) The share in acquisition of funds under the 1% scheme is higher than the national average in the case of PBOs involved in: healthcare (by 3%). Large cities are also the favorite seat of foundations helping sick people, e.g. the *Zdążyć z Pomocą* Foundation is headquartered in Warsaw. In 2016 alone, the foundation acquired PLN 148.9 million under the 1% scheme, which accounted for 22.6% of total donations under the scheme in Poland.

b) Other areas of PBOs' operations receive similar amounts (calculated as their share in the total funds collected) as the national average.

## Conclusion

The introduction of the Public Benefit and Volunteer Work Act in 2003 altered the way entities from the so-called third sector operate in. Equipped with the option of obtaining the PBO status, NGOs were able to run advertising campaigns to maximize donations under the 1% tax donation scheme. Initially, the increase in the number of PBOs was very sharp, however, in recent years the number of such organizations plateaued at approx. 8-8.5 thousand nationwide. The share of PBOs in the total number of non-profit organizations is not large and ranges between 8% and 10% (in Poland there are approx. 100 thousand registered NGOs). On the other hand, funds originating from the 1% scheme represent approx. 2-3% of revenues of all non-governmental organizations in Poland (Central Statistical Office of Poland 2014).

Research conducted among organizations having this status shows that the main incentive to achieve the NGO status is the possibility of obtaining funds under the 1% scheme. Another important motive is enhancing prestige, which facilitates contacts with both the public and private sector, and allows for securing additional funds from these two sources (Kietlińska, 2015).

The analyses of the available data showed that the allocation of funds from the 1% depends on:

a) PBO locations by type and size of the place: the vast majority of PBOs, as well as funds sourced from the 1% scheme, originates from cities and is donated to organizations located in cities (2016: 6 747 out of 8 238 PBOs (81.9%); PLN 596.1 million out of PLN 660.2 million (90.3%)); among cities, the largest cities play the most significant role serving as the seats of 3 846 NGOs (46.7%), which received PLN 518.5 million (78.5%);

b) PBO type: in terms of quantity, associations are predominant with 6 010 (73.0%) such entities existing in 2016 (there is a dependence: the smaller the locality, the higher the numerical share of associations); in terms of funds raised under the 1% scheme, foundations rank first with PLN 355.1 million (68.5%) acquired in 2016 (the larger the locality, the higher the role and the amounts collected by foundations);

c) the main statutory objective of the PBO: in terms of numbers, PBOs are dominated by organizations focusing on healthcare (25-27% of all PBOs), social assistance (20-21%), sports, tourism and hobbies (16-17%), as well as education, science and schooling (14-15%); with respect to funds collected under the 1% mechanism, the highest ranked are entities focusing on: healthcare (67-70% of the total collected amounts under the 1% scheme by all PBOs), social assistance (14-16%) and education, science and education (5-6%); depending on the type of locality (location), some fluctuations are noticeable in the distribution of the quantitative structure and funds received under the 1% scheme by PBOs.

In recent years, a trend has been noticeable in the quantitative change and the structure of funds sourced under the 1% scheme, consisting in an increase in the significance of foundations involved in healthcare, located mainly in large cities. This may cause turmoil on the 1% market in the future and prompt many other types of organizations located outside of main Polish urban centers to abandon their PBO status.

The research results confirm the accepted hypothesis that mainly the allocation of funds from 1% depends on the PBOs locations (village-town), organization type and statutory objective.

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