

KREI Agri-policy Focus

Suggestions to Promote the Hometown Love Donation System

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Summary

From January 1, 2023, the Hometown Love Donation System (HLDS) is enforced to vitalize local economies.

- A donor can donate up to 5 million won to a local government where he or she does not reside. Donors are provided a tax credit for their total donations up to 100,000 won, and for 16.5% of their donations that exceed 100,000 won.
- By using the donations, local governments implement projects for enhancing residents' welfare, such as supporting vulnerable groups in local communities.
- Local governments provide return gifts to donors within 30% of their donations.

Although public awareness of hometown love donations is rising, the overall awareness level is low.

- The proportion of people who are aware of the HLDS was only 12% in a survey conducted in April 2022, but increased to 35% in an August survey.
- As 24% of people who are aware of the system itself do not know about its concrete content, active publicity for raising public awareness of hometown love donations is needed.
- Even though 48% of respondents did not express if they agreed with the donations due to their low awareness of the HLDS, 44% of respondents agreed with the system, which shows relatively high sympathy for it.
- As for the desired donation amount, 100,000 won or less accounted for 46%, and 52% of respondents preferred community-based gift certificates as return gifts.
- Those who wanted their donations to be used to support socially vulnerable groups made up 52%.

The central and local governments and the National Assembly should make various efforts to promote the HLDS.

- It is necessary to refer to Japan's hometown tax payment system, which has taken root as precious finances for local development by improving the system and increasing awareness of it although the amount donated was not significant in the early stage.
- The government's active publicity is needed to raise public awareness of hometown love donations.
- Local governments should plan projects funded by the donations, strengthen communication with donors, and develop proper return gifts so that the HLDS can contribute to enhancing local residents' welfare and vitalizing local economies.
- Given that 2023 is the first year of the introduction of the system, it is necessary to select a moderate number of return gifts and provide community-based gift certificates and online gift certificates that can be used at online malls for local specialties.
- The National Assembly should closely monitor the overall HLDS and rapidly improve it.

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Major content of the Hometown Love Donation System¹⁾

1.1. Purpose of the system

The Hometown Love Donation System aims to promote donations for the development of local governments from their non-residents.

The purpose of the Hometown Love Donation Act (hereinafter referred to as “Hometown Love Donation System (HLDS)”), which takes effect from January 1, 2023, is to boost local economies through donations.

- The system aims to “create a sound culture of making donations to hometowns and to revitalize local economies, thereby contributing to the balanced development of the national economy” (Article 1 of the Act).
 - Major keywords of the system include sound donations, the vitalization of local economies, and balanced national development.
- A donor can donate up to 5 million won to an upper-level local government (province or metropolitan city) or a lower-level local government where he or she does not reside.
 - Donors are provided a tax credit for their total donations up to 100,000 won, and for 16.5% of their donations that exceed 100,000 won.
 - For example, if a donor makes a hometown love donation of 200,000 won, a tax credit is provided for 116,500 won (for 100,000 won and for 16.5% of 100,000 won that exceeds 100,000 won).
- Local governments should use hometown love donations for projects with the following purposes stated in the law (Article 11 (2) of the Act):
 - supporting socially vulnerable groups and fostering and protecting youth;
 - promoting cultures, art, public health, etc. for local residents;

1) Hometown Love Donation Act (Act No. 18489, enacted Oct. 19, 2021); Enforcement Decree of the Hometown Love Donation Act (Presidential Decree No. 32904, enacted Sep. 13, 2022).

- supporting the revitalization of local communities, such as citizens' participation and volunteer work;
- implementing other projects necessary to promote the welfare of residents.

1.2. Collection of donations

Regulations are introduced to prevent forcibleness, illegality, etc. in the process of collecting hometown love donations.

Various regulations are introduced to prevent side effects in the donation collection process.

- It is prohibited to make hometown love donations in another person's name or a false name, and donations from interested parties are also forbidden (Article 5 of the Act).
 - No person shall make donations to a local government having interests in his or her right or benefit in property arising from business, employment, contracts, dispositions, etc. or having any other relations with him or her.
- Forcing donations or collections is prohibited (Article 6 of the Act).
 - It is forbidden to force other persons to make or collect hometown love donations using relations in business, employment, etc.
 - No public official shall force, or actively ask or encourage, his or her employees to make or collect the donations.
- The following methods of collecting hometown love donations are prohibited (Article 7 of the Act):
 - using individual telephones, correspondence, or electronic transmission media; door-to-door visits;
 - actively asking members of private gatherings, such as hometown community associations and alumni associations, to make donations.

The Enforcement Decree of the Hometown Love Donation Act specifies the methods of collecting donations and advertising media for promoting the collection.

- The Enforcement Decree states the information system, administrative procedures, etc. for collecting hometown love donations.

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- The Korea Local Information Research & Development Institute provides information system services including the collection of the donations (Article 8 of the Enforcement Decree).
- The Enforcement Decree prescribes matters regarding administrative procedures of collecting hometown love donations, local governments' management and operation of the donations, etc.
- Regulations on advertising media, encouraging the collection of donations, etc. are specified (Article 3 of the Enforcement Decree).
 - It is possible to collect donations through information and communications networks, newspapers and Internet newspapers, periodicals, broadcasting, outdoor advertisements, printed matter, etc.
 - It is prohibited to ask or encourage people who are in a contractual relationship with a local government or attendees at an event hosted, organized or supported by a local government to make donations.
- Regulations on local governments that violate the law are specified (Article 2 of the Enforcement Decree).
 - In case of forcing, or actively asking or encouraging, others to make hometown love donations using relations in business, employment, etc. in a local government, the local government is restricted from collecting the donations for 1-8 months.
 - If a public official of a local government forces, or actively asks or encourages, his or her employees to make or collect hometown love donations, the local government is restricted from collecting the donations for 1-8 months.
 - If a local government violates the methods of publicizing hometown love donations, it is restricted from collecting the donations for 1-6 months.

1.3. Selection and provision of return gifts

A local government may provide a donor with a return gift to the extent not exceeding 30% of his or her donation.

- Providing local specialties etc. as return gifts may induce donors' continued donation.

- The following return gifts may be provided: local specialties; securities used only in the relevant local government; and others prescribed by ordinances.
- A local government shall not provide the following as a return gift: cash; precious metal; and securities that can be used outside the local government.
- In Japan's hometown tax payment system similar to Korea's HLDS, return gifts may be provided only in kind.
 - Allowing securities to be provided as a return gift is one of the major differences from Japan's hometown tax payment system.

The Enforcement Decree specifies regulations regarding the provision of return gifts.

- The value of a return gift for a donor should be within 30% of the individual's donation (Article 5 (1) of the Enforcement Decree).
 - According to the limit of providing a return gift, if a person donates 5 million won (the maximum donation amount), a return gift worth 1.5 million won may be provided.
- A local government should not provide the following as return gifts (Article 5 (2) of the Enforcement Decree):
 - tickets to places where excises are imposed (horse race tracks, bicycle race tracks, golf courses, casinos, etc.); expensive sporting goods or electronic products;
 - goods that may harm people's lives or property or that may be injurious to public morals.
 - The provision of the following return gifts is restricted: electronic debit payment means, electronic prepayment means, electronic currency, etc. However, a local government may provide gift certificates, securities, etc. issued to be used only in its jurisdiction.
 - According to the Enforcement Decree, it is possible to provide electronic prepayment means used only in a particular region as return gifts.
- A local government's return gift selection committee selects return gifts (Article 6 of the Enforcement Decree).
 - The Enforcement Decree stipulates that a local government may operate a return gift selection committee that selects return gifts, their suppliers, etc. through an ordinance.

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Related ordinances²⁾ that local governments are enacting include articles on the types and selection methods of return gifts.

- The ordinances stipulate a return gift selection committee, the types and costs of return gifts, the selection of their suppliers, etc.
 - The selection committee consists of seven or fewer members with certain qualifications. The members select return gifts and their suppliers and give advice on the supply of the gifts.
 - The members are appointed among public officials, those who are experienced in selecting specialties, those whom a council chair recommends, representatives of the production or manufacturing fields, and those with expertise in marketing.
 - The selection committee selects suppliers of return gifts through a contest, etc. As representatives of the production or manufacturing fields may be excluded due to a conflict of interest, it is needed to consider this issue.
 - Return gifts may include agricultural specialties, craftwork, securities such as community-based gift certificates, and online/mobile gift certificates for province-invested, -funded, or -commissioned shopping malls.
 - The costs of providing return gifts should be within 30% of donations or may be allocated through a separate budget.

²⁾ The content here is based on the Ordinance on Collection and Operation of Hometown Love Donations in South Jeolla Province. Many local governments have enacted related ordinances, and the systems of their provisions are similar in a large framework despite some differences in details.

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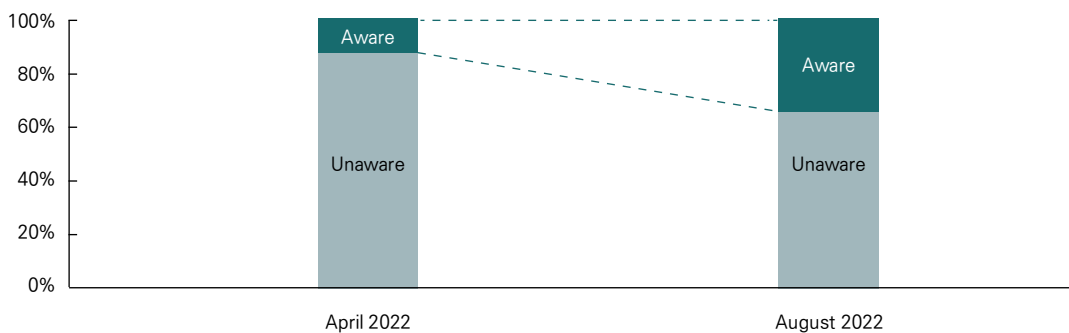
Public opinions on the HLDS and their implications

The Korea Rural Economic Institute (KREI) conducted public opinion surveys on the HLDS.³⁾

Public awareness of the HLDS in the August survey increased compared to that in the April survey.

- Respondents' awareness of the HLDS rose from 12% in April to 35% in August.
 - For 24% of those who are aware of this system do not know about its detailed content, publicity should be expanded to raise awareness of the system.

〈Figure 1〉 Change in awareness of the HLDS



Source: Gouk Seungyong, Kim Changho (2022).

According to the survey results, 44% of respondents agreed with the HLDS.

- When respondents were asked if they agreed with this system after reading its content, 48% did not express pros and cons.
 - Those who strongly agree accounted for 5%, and those who moderately agree constituted 39%.
- The percentage of those in favor of the HLDS was the highest (50%) in those in their 50s and older.

3) KREI carried out the Opinion Survey on the Enforcement of the Hometown Love Donation System in April 2022, and the Public Opinion Survey on the Hometown Love Donation System in August 2022. We quoted the results of the April survey to compare changes in public awareness of the HLDS, and analyzed the results of the August survey for the rest.

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- The proportions of those in favor of the system were 39% of those in their 20s and younger; 30% of those in their 30s; and 42% of those in their 40s.
- It is needed to strengthen publicity activities for raising awareness of those in their 20-30s about the HLDS.

The survey results show that 43% of people want to make hometown love donations to their current place of residence.

- Although the current place of residence accounts for the highest proportion in preferred places for donations, the law prohibits it.
 - If awareness of the HLDS and the amount of donations increase, controversy may arise over this issue.
 - While 33% of respondents replied that the law should be amended to enable donations to one's current place of residence, 33% answered that the amendment should be considered later, not in the early stage of enforcing the law, and 16% agreed to maintaining the current law given possible side effects of the amendment.
- When respondents' place of residence and birthplace are different, 28% wanted to donate to their birthplace.
- Seoul residents were relatively more willing to donate to their birthplace (32%) than to their current place of residence (30%).
 - As for non-Seoul residents' preferred places for donations, the percentage of their place of residence and that of their birthplace were similar.

<Table 1> Preferred places for hometown love donations

Unit: %

Classification	Current place of residence	Birthplace	Another region	No intention to donate	Total
Total	43.4	27.6	10.5	18.5	100.0
Seoul	29.7	31.9	16.8	21.6	100.0
Incheon, Gyeonggi Province	42.8	26.5	11.9	18.8	100.0
Busan, Ulsan, South Gyeongsang Province	46.0	26.0	9.1	18.9	100.0
Daegu, North Gyeongsang Province	49.1	27.3	4.8	18.8	100.0
Gwangju, Jeolla Province	55.3	25.3	5.1	14.3	100.0
Daejeon, Sejong, Chungcheong Province	46.6	29.1	8.1	16.3	100.0
Gangwon/Jeju Province	51.1	26.0	7.6	15.3	100.0

Source: Gouk Seungyong, Kim Changho (2022).

As for types of return gifts, 52% of people hoped for community-based gift certificates.

- Donors relatively prefer community-based gift certificates with which they can purchase goods that they want.
 - As community-based gift certificates can be used in the jurisdiction of a local government to which a donor donates, the donor should visit the local government to use them or can give them to acquaintances who are its residents.
 - It is relatively more convenient to use the gift certificates in big cities whose distance from another local government is short than in rural areas whose distance from another local government is long.
- When selecting return gifts, local governments need to consider donors' preferences.
 - A local government should consider that donors prefer return gifts with their options strengthened, such as community-based gift certificates, rather than return gifts that it selects in advance.
 - It is desirable to include return gifts that guarantee consumers' options, such as community-based gift certificates or online/mobile gift certificates that can be used in a particular region, and to select local specialties as return gifts.

〈Table 2〉 Types of return gifts that respondents hope for

Unit: %

Community-based gift certificates	Local agrifood	Local specialties	Token of gratitude for donations	Disagree with providing return gifts
52.4	27.6	6.9	5.2	7.9

Source: Gouk Seungyong, Kim Changho (2022).

People who want to donate 100,000 won or less accounted for 46%.

- In all age groups and all regions, the percentage of those who want to donate 100,000 won or less was the highest.
 - The desired donation amount is related to the regulation on hometown love donations that provides a tax credit for a donor's total donation up to 100,000 won.
 - While 25% of respondents expressed no intention to donate, 20% expressed their willingness to donate 100,000-200,000 won.

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〈Table 3〉 Respondents' desired hometown love donation amount

Unit: %

No intention to donate	100,000 won or less	100,000 to 200,000 won	200,000 to 500,000 won	500,000 to 1 million won	1 million to 5 million won
24.7	45.9	19.9	6.5	2.2	0.8

Source: Gouk Seungyong, Kim Changho (2022).

Among respondents, 52% wanted their donations to be used to support socially vulnerable groups.

- Among the purposes for which hometown love donations should be used prescribed in the law, people who prefer to support socially vulnerable groups made up the highest share (52%), followed by the following purposes:
 - promoting cultures, art, public health for local residents (15%), and fostering and protecting youth (10%).
- Among uses of donations other than those prescribed in the law, respondents who prefer to use donations for the vitalization of local economies accounted for the highest percentage (26%), followed by:
 - elderly care (23%), local education improvement (15%), and rural environmental conservation (12%).

〈Table 4〉 Preferred uses of hometown love donations

Unit: %

Supporting socially vulnerable groups	Fostering/protecting youth	Promoting cultures, art, public health, etc. for local residents	Supporting vitalization of local communities, such as citizens' participation and volunteer work	Other projects for promoting residents' welfare
52.0	10.3	14.6	9.1	14.0

Source: Gouk Seungyong, Kim Changho (2022).

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Suggestions to promote the HLDS

3.1. Ways to boost donations

It is necessary to increase donations by raising awareness of hometown love donations and improving the HLDS.

In Japan, the amount donated through its hometown tax payment system was insignificant in the early stage, but has grown by improving the system and raising awareness of it.

- In 2008 when Japan's hometown tax payment system was introduced, the number of donations was only about 54,000 cases, and the amount donated was 8.1 billion yen. Nonetheless, with awareness of the system rising as time passed, the amount of donations increased.
 - In 2021, the number and amount of donations rose 824 times to 44.47 million cases and 102 times to 830.2 billion yen, respectively, compared to the first year of the enforcement of the system.
- One of the major factors in the rise in donations was the improvement of the hometown tax payment system in 2015 for the resolution of problems found in the process of operating the system.
 - The tax deduction limit⁴⁾ was doubled, and the procedure of receiving a tax credit when making hometown donations was simplified.
 - Since 2015, the number and amount of the donations increased greatly.

4) In Japan's hometown tax payment system, the minimum amount of donation is 2,000 yen, and a tax credit is not provided for 2,000 yen. This system is different from Korea's HLDS in that the Japanese system induces large donations by providing a tax credit for the total donation amount excluding 2,000 yen. The tax deduction limit is decided through a certain percentage of income-proportional resident tax, which is similar to Korea's income tax. The Japanese system was improved by doubling the deduction limit from 10% to 20% in 2015.

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〈Table 5〉 Hometown tax payments in Japan

Unit: 10,000 cases, 0.1 billion yen

Classification	2008	2009	2010	2011	2012	2013	2014
No. of donations	5.4	5.6	8	10.1	12.2	42.7	191.3
Amount donated	81.4	77	102.2	121.6	104.1	145.6	388.5
Classification	2015	2016	2017	2018	2019	2020	2021
No. of donations	726	1,271.1	1,730.2	2,322.4	2,333.6	3,488.8	4,447.3
Amount donated	1,652.9	2,844.1	3,653.2	5,127.1	4,875.4	6,724.9	8,302.4

Source: Japan's Ministry of Internal Affairs and Communications (2022). Reorganized from ふるさと納税に関する現況調査結果 (令和4年度実施).

- The amount of Korea's hometown love donations may be also small in the early stage due to low awareness of the HLDS, but is expected to rise with awareness of this system increasing.
 - In the first year of the introduction of Japan's hometown tax payment system, the amount donated was not large (8.1 billion yen), with approximately 54,000 cases of donations. However, it grew with awareness of this system rising as the years went by. Also, since the system was improved to promote donations in 2015, the amount donated has increased greatly.
 - Improving the HLDS by finding factors that limit the vitalization of the HLDS in the early stage will contribute to expanding the amount of donations.

The HLDS is similar to political donations in terms of the method of tax deduction, and although the means of publicity are relatively insufficient, providing return gifts may contribute to increasing donations.

- The HLDS is similar to political donations in that the former provides a tax credit for the total donation amount up to 100,000 won and for 16.5% of the donation amount that exceeds 100,000 won.
 - In 2020 when the election of members of the National Assembly was held, donations for central parties reached about 6.4 billion won, and those for National Assembly members approximately 53.8 billion won (National Election Commission's press release, Feb. 25, 2021).

- Public awareness of the current political donation system, enforced from 2004, is relatively high.
- The means of promoting hometown love donations are less sufficient compared to political donations.
 - As individual collection of hometown love donations is not allowed, means of publicity are insufficient compared with political donations that can be encouraged through e-mail, text messages, etc.
 - With people's low awareness of the HLDS and the restrictions on the process of collections, it is not easy for the total amount of hometown love donations to exceed that of political donations in the short term.
- Providing return gifts is the biggest difference between the HLDS and other donation systems.
 - Different from other donations such as political donations, the HLDS may provide a donor with a return gift within 30% of the amount donated.
 - It is needed to raise awareness of the HLDS by publicizing the purpose of the system (that is, vitalizing local economies and contributing to balanced national development) and its difference from other donations (such as return gifts).

The central government should expand publicity for the HLDS, and local governments' cooperation is necessary.

- Expanding publicity at the government level is the most important to boost hometown love donations.
 - As people's awareness of hometown love donations is low, the government needs to actively promote them.
 - As the law prohibits individually customized publicity using SNSs etc., the mass media should be utilized. In this type of publicity, the central government's comprehensive implementation of its plan is more efficient than local governments' separate implementation.
- Cooperation among local governments is needed to promote the HLDS.
 - Even though donors prefer to donate to the local government of their place of residence the most, it is prohibited by law, which may become a barrier to boosting hometown love donations.

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- Large cities such as Seoul are adjacent to other local governments. Therefore, if residents of these cities donate to a nearby local government and receive its community-based gift certificates, the donors' economic benefits are maximized. This may cause hometown love donations to be concentrated in cities rather than rural areas.
- Cooperation among rural local governments is required to overcome this problem and promote the HLDS. Each rural local government can encourage citizens who cannot donate to their place of residence to donate to an adjacent local government. At the provincial level, it is also possible to consider encouraging donations for nearby local governments in the province. These efforts may raise rural residents' awareness of the HLDS and expand donations for rural local governments.

3.2. Development of projects funded by hometown love donations

For continued development of the HLDS, it is necessary to plan donation-funded projects consistent with the purpose of the system.

Each local government should develop projects that can gain donors' sympathy for the expansion and development of the HLDS.

- According to KREI's survey, 52% of people want hometown love donations to be used for socially vulnerable groups. Thus, planning related projects is desirable.
 - By utilizing hometown love donations, a local government can implement projects for supporting vulnerable groups which it planned but could not carry out due to its limited budget etc.
 - Also, it is possible to expand the scale and targets of successful projects for supporting vulnerable groups that local governments implement by using the donations.
 - It is needed to plan projects in various areas including rural care, food support for rural elderly people, and rural transportation.
- Local governments should carry out projects for vitalizing communities and promoting local residents' welfare at the same time.
 - If a local government supports the vitalization of community activities in which local residents participate and if they develop projects that can contribute to promoting local residents' welfare, it accords with the purpose of the HLDS.

- It is desirable for a local government to support residents' communities so that they themselves carry out projects funded by hometown love donations, rather than to directly implement the projects or to commission the implementation to private institutions.
- Hometown love donations should be utilized by referring to diverse successful cases including social farming, the social economy, and the provision of local community-based social services.

The HLDS can be promoted by publicizing each local government's plans for projects funded by hometown love donations and the results of the projects.

- Donations can increase when donors see that their donations bring intended outcomes.
 - As the HLDS is a system based on voluntary donation, it can be expanded with visible outcomes that contribute to rural development by using donations for the right purposes.
 - Based on the outcomes, it is necessary to strengthen communication with donors.
- Local governments should establish and promote plans for projects funded by hometown love donations.
 - Local governments need to devise plans for projects that can gain donors' sympathy and to attract donations through communication with donors.
 - It is known that many local governments are more interested in selecting return gifts than in establishing plans to use donations, which is undesirable in vitalizing the HLDS.
- It is necessary to introduce donations for a particular purpose or a crowdfunding method that Japan's hometown tax payment system is implementing.
 - In Japan, criticisms were raised that local governments focused on the collection of donations rather than on the use of them. As a result, the hometown tax payment system introduced a crowdfunding method that presents the uses of donations before collecting them and enables donation by use.
 - The crowdfunding method was introduced to expand donors' sympathy and boost donations by presenting the uses and targets of donations in advance. This is expected to contribute to avoiding excessive dependence on return gifts and implementing projects consistent with the purpose of the hometown tax payment system.

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- In Korea, it may not be easy to introduce a crowdfunding method to the HLDS in the early stage. Nonetheless, efforts are needed to plan projects that accord with the purpose of the HLDS, thereby expanding donors' sympathy and leading to their donation.

It is desirable to emphasize that donation is a valuable action which contributes to rural development, rather than that making hometown love donations is advantageous to donors.

- Currently, publicity for the HLDS focuses on that if a donor makes a hometown love donation of 100,000 won, he or she can receive a tax credit for the total amount donated and a return gift worth 30,000 won.
 - Such a publicity strategy is not helpful in promoting the HLDS in the long term by distorting the purpose of this system (i.e. balanced national development).
 - Donors give economic help to socially necessary fields despite certain economic burdens. Stressing that donation can bring economic benefits makes the purpose of the donation system less meaningful.
 - If the current publicity for the HLDS affects people's perception of the system, it may justify urban donors' behavior that they donate 100,000 won to a nearby local government, receive a tax credit for the total donation amount, and additionally receive a community-based gift certificate of 30,000 won.
- Efforts are needed to highlight the fundamental purpose of the HLDS, that is, contributing to balanced national development through hometown love donations for rural areas.
 - Guidelines are necessary at the government level so that local governments do not excessively stress return gifts or compete with one another using them.

3.3. Selection of return gifts

It is needed to select return gifts considering the characteristics of the early stage of the enforcement of the HLDS and each region's situation.

In the early stage of the enforcement, it is difficult to decide the amount and types of return gifts due to lack of information.

- In the first year of the enforcement, it is not easy to predict the amount and number of donations, donors' preferences, etc. and decide the amount and types of return gifts.

- It is possible to predict the amount of donation per donor, willingness to donate, etc. to a certain extent through the public opinion survey. Nevertheless, due to inexperience in actually receiving donations, local governments lack information on the number of donations, the amount of donation per case, return gifts that donors prefer, etc.
- As the selection of return gifts should go through public discussion and be made public, it is needed to decide on their types in advance. Also, it is necessary to predict supply by return gift to select suppliers.
- It is not easy for local governments inexperienced in receiving hometown love donations to select the amount, types, and suppliers of return gifts.
- Selecting excessively various return gifts may increase misunderstanding or inefficiency related to the gifts.
 - If a local government selects agricultural products with seasonality, such as fruit, as return gifts, the time of providing the gifts may be different from the time of donation, which may cause misunderstanding. For example, if a donor makes a donation in June and asks for fruit such as apples and pears as a return gift, it is impossible to provide it immediately due to lack of newly harvested fruits.
 - If a return gift worth 30,000 won is developed for a donation of 100,000 won, additional early input costs occur, including production costs for new packing materials. Also, if the supply is insufficient, the profits that suppliers gain may be lower than they expect.

Electronic prepayment means can be utilized at online malls operated by local governments.

- As return gifts, it is possible to provide electronic prepayment means used only in the jurisdiction of a relevant local government by law.
 - South Jeolla Province's related ordinance states that return gifts may include online or mobile gift certificates used only at South Jeolla Province-invested, -funded, or -commissioned online malls.
- Most rural local governments operate online malls.
 - Most rural local governments, including provinces, *sis* (cities), and *guns* (counties), run online malls for local specialties.
 - Through a local government's ordinance, it is possible to provide as return gifts online/mobile gift certificates used only at an online mall that the local government operates.

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If the ordinance does not include the content, the return gift selection committee may select these gift certificates as return gifts.

- Selling good local agricultural specialties at the local government's online mall and providing prepayment means for the mall as return gifts may bring direct and indirect effects such as providing donors with various local agricultural specialties, not going through a separate process of selecting return gifts.
- Online malls for local agricultural specialties can be invigorated.
 - It is possible to vitalize these malls through the expansion of visits and purchases related to return gifts.
 - If donors purchase agricultural specialties that exceed the value of return gifts, the consumption of the specialties whose scale is bigger than the value of return gifts occurs through the HLDS.
- It is necessary to improve functions of local governments' online malls.
 - To provide online prepayment means used only at local governments' online malls as return gifts, information system functions should be improved.
 - It is needed to have a function of identifying whether a return gift is used in the payment process when a purchaser buys a product at a local government's online mall. Additionally, re-donation can be induced by providing a thank-you letter, outcomes of utilizing hometown love donations, etc. when sending the product to the donor.

It is desirable to plan return gifts in the medium to long term.

- According to the public opinion survey, about 5% of people wanted a token of gratitude for donation as a return gift.
 - It is needed to develop local specialties or craftwork as such gifts.
- If information on the number and amount of donations, donors' preferences, etc. accumulates in the medium to long term, it is possible to develop return gifts that donors prefer, based on the information.

3.4. Tasks for improving the HLDS

For the early vitalization of the HLDS, improving the related law is urgent.

One of the factors that promoted Japan's hometown tax payment system is the improvement of the system.

- As this unique system supports people's donations for local development through tax deduction, trial and error was inevitable in the early stage.
 - The Japanese government reformed the hometown tax payment system, which had problems, to vitalize it.
 - The system has been invigorated by easing donors' burdens, increasing the maximum donation amount, enhancing convenience in the tax deduction process, etc.
- Although the HLDS referred to the Japanese case, trial and error is inevitable in the early stage due to many differences between Japan's and Korea's situations.
 - The HLDS can be promoted by closely monitoring the system operation situation and rapidly improving the system when problems are found.

Using donations to promote local economies (Article 11 (2) of the Act)

- Vitalizing local economies is specified as the purpose of the Act, but is not included in the purposes of the use of hometown love donations.
 - According to the public opinion survey, 26% (the highest percentage) answered that hometown love donations need to be used to boost local economies if the donations can be utilized for purposes other than those prescribed in the current Act.
- It is necessary to improve the HLDS to enable donations to be used for the vitalization of local economies.
 - Promoting local economies seems to have been excluded from the purposes of hometown love funds because it is perceived to be too broad to be included in concrete purposes of fund operation and there has been concern about the misuse of the funds.
 - It is required to consider presenting the purposes of projects funded by hometown love donations before collections in a crowdfunding method and including the vitalization of local economies in the purposes. Then, as donors make donations knowing their concrete uses, worries will be dispelled over the misuse of the funds.

Suggestions to Promote the Hometown Love Donation System

- It is needed to amend the Act to announce the uses of donations and the content of funded projects in the process of collecting donations and expand the uses of donations from the current Act.

Improving the ban on donations to a local government from its residents (Article 4 (1) of the Act)

- Although it is uncertain why a local government is prohibited from receiving hometown love donations from its residents, the following are possible reasons:
 - The article may aim to induce urban residents to donate to rural areas.
 - Donating to one's place of residence may be considered donating for oneself, which does not accord with the purpose of donation.
 - If donating to one's place of residence is allowed, a local government's public officials etc. may force local residents to make donations, which will cause side effects.
- Nonetheless, the ban on donating to one's place of residence may be a considerable obstacle to boosting hometown love donations.
 - For instance, a resident of District A in Seoul can donate to District B in the city. Therefore, the current article is not sufficient to induce urban residents to donate to rural areas.
 - Those who want to donate to their place of residence made up 38% in the capital area and 49% in the non-capital area. That is, this article affects the residents of the non-capital area more than those of the capital area.
 - A resident of a *dong* area may make donations for the development of rural areas (*eups* (towns) and *myeons* (townships)). It is unreasonable to prohibit such donations by law just because the donor lives in the same *si* or *gun*. (Compared to cities, rural areas have larger gaps in residential conditions among *eups*, *myeons*, and *dongs*.)
 - Public officials etc. are forbidden to force local residents to make donations by law. Thus, prohibiting donations to one's place of residence to prevent such pressure is double regulation.
- It is needed to discuss amending the related regulation by closely reviewing the validity of the article that bans donations for one's place of residence.
 - It is possible to abolish the restriction on donating to one's place of residence as in Japan's hometown tax payment system.

- The regulation can be amended to promote metropolitan residents' donations for rural areas by specifying the scope of the restriction on donating to one's place of residence so that these residents cannot donate to their cities.
- The Act should be amended so that the regulation does not restrict donations to rural areas (e.g. enabling a resident of an urban-rural consolidated city or *gun* to donate to his or her local government).

Restricting the provision of securities as return gifts (Article 9 (2) 2 of the Act)

- Japan's hometown tax payment system introduced the provision of return gifts to boost the collection of donations for rural local governments with relatively abundant local specialties.
 - With no restriction on where to donate, the Japanese system has provided donors with return gifts to enable rural local governments' active collection of donations.
 - As return gifts, securities may not be provided, and local specialties may be provided only in kind.
- The HLDS allows the provision of securities as return gifts, which precludes differentiation between urban local governments and rural ones in terms of return gifts.
 - Rather than promoting donations for balanced national development, the HLDS may be abused as a means of expanding donors' economic benefits. For example, a resident of District A in a large city may donate to adjacent District B in the same city and receive a community-based gift certificate.
- For return gifts not to be misused as a means of increasing donors' economic benefits, it is desirable to limit the provision of securities as return gifts.

Easing regulations on activities for boosting collections (Article 7)

- It is an excessive regulation to legally prohibit individual collection of donations itself.
 - According to the current law, hometown love donations shall not be collected by using individual telephones, correspondence, or electronic transmission media such as text messages.
 - In private gatherings, "actively" encouraging their members to make donations is prohibited. However, the vague term "actively" may restrict encouraging donation itself.

Suggestions to Promote the Hometown Love Donation System

- It is difficult to promote hometown love donations as publicity, information provision, etc. for collecting them are excessively limited, compared to political donations similar to them.
- It is required to devise reasonable ways to enable individual collection of donations, not comprehensively restricting collections.
- Given the social trend that most publicity and advertisements are individualized, it is an excessive regulation to ban individual publicity itself.
- Efforts are needed to reduce side effects in the process of collecting hometown love donations by gathering opinions from all walks of life and presenting diverse methods of promoting donations.

04

Suggestions for the successful establishment of the HLDS

The government should expand publicity and share outstanding cases to vitalize the HLDS.

- As people's awareness of the HLDS is low, the government's active publicity is required.
 - In the early stage of introducing the HLDS, expanding publicity for this system itself is necessary. The government's comprehensive implementation of the publicity is more efficient than local governments' or institutions' individual implementation.
- The government needs to provide information on outstanding cases to local governments by examining the introduction of the HLDS such as local governments' enactment of ordinances, planning of donation-funded projects, and selection of return gifts.
 - Making efforts to prepare for the HLDS, many local governments may not have time to refer to other local governments' outstanding cases.
 - It is desirable to identify these cases at the government level and provide related information to local governments for reference.

Local governments should thoroughly prepare for the operation of the HLDS, including the establishment of fund operation plans, the selection of return gifts, and publicity.

- Local governments need to devise detailed plans on the purposes and targets of hometown love funds to utilize precious hometown love donations for local development.
 - Plans for projects funded by hometown love donations should be formulated by collecting various opinions of local communities including residents' associations, residents' committees, civic groups, and experts.
 - It is required to refer to projects that could not be expanded due to lack of local governments' budget, etc. among projects for promoting residents' welfare to which residents positively respond.
 - Local governments should plan and prioritize donation-funded projects and implement them in stages according to the amount donated.

Suggestions to Promote the Hometown Love Donation System

- It is necessary to select representative specialties as return gifts, not excessively various return gifts, and provide online gift certificates.
 - Major return gifts should be local specialties that can be produced flexibly and stably in terms of the time and amount of supply, quality, etc.
 - A local government operating an online mall for local specialties needs to effectively select return gifts by utilizing online or mobile gift certificates used only at the mall.
 - Local governments should strengthen communication with donors to induce their re-donation through return gifts.
- As the HLDS is a system for balanced national development, boosting rural local governments' collection of donations is desirable. Therefore, it is needed to induce donations for rural local governments at the upper-level local government level, through cooperation between related local governments, etc.
 - It is necessary to create conditions that enable more hometown love donations for rural areas through publicity for the purpose of the HLDS, cooperation between rural local governments, etc.
 - An upper-level local government can encourage its residents to donate to a nearby *si* or *gun* in the local government.
 - It is required to create conditions that expand donations for nearby *sis* or *guns* through cooperation between local governments that can cooperate easily, such as adjacent ones.

The National Assembly should improve the HLDS to vitalize the system.

- The National Assembly needs to pay attention to diverse concerns raised over the HLDS.
 - For this system to take root as soon as possible, the National Assembly should closely monitor each concern that actually appears.
 - Although the Public Administration and Security Committee is the standing committee in charge of the HLDS, the Agriculture, Food, Rural Affairs, Oceans & Fisheries Committee's interest is needed given its expertise in rural areas.
- If improving the HLDS is required, it is necessary to rapidly amend the law.
 - If the HLDS is judged to be insufficient, the National Assembly should make efforts to amend the related law as soon as possible to promote the system.

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※ KREI Agri-policy Focus publishes summarized studies on significant trends and policy issues in the agricultural sector.

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KREI Agri-policy Focus No. 211

Suggestions to Promote the Hometown Love Donation System

Registration No. 6-0007 (May 25, 1979)
Publication date November 2022
Publisher Kim Hongsang
Published by Korea Rural Economic Institute
 601, Bitgaram-ro, Naju-si, Jeollanam-do, ROK # 58321
 Tel +821833-5500
Printed by HAN Company, Ltd.
ISSN 2672-0159

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