
Effects of Withholding Income Tax — Discussion

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16 November 2018

Boning: Paying Taxes Automatically

- **Data:** IRS admin data – population of taxpayers 2000-13
- **Identification:** Policy reform in 2009 that ↓ amount WH for ppl with certain benefits
- **Variation:** Across indivs who were subject to the reform
- **Findings:**
 1. WH ↓ no. of taxpayers who are late by 1.4pp, amount of tax late by 5c/\$
Or 6pp and 20c/\$ among those who don't receive refunds
 2. Not liquidity constraints: same effect among ppl earning interest income
 3. Is explained by cognitive frictions: late payers more likely to have errors

- **Data:** balanced panel of 48 states, 1944-80
- **Identification:** State policy reforms that introduced WH, 1948-76
- **Variation:** Across states as reform rolled out
- **Findings:**
 1. Increase in tax rev collected of 28%
 2. Doesn't affect compliance on federal returns
 3. Not explained by change in base, increased enforcement or reduced salience

Complementarities (and framing the differences!)

- Same big picture question, but...
- Different data: individual vs state level
Indiv has more data, but only gives local effects (LATE).
- Different variation: single policy change vs state level roll-outs
State level closer to the policy we are directly interested in, but different implementation in diff places.
- Different time periods: 2009 vs 1944-80
2009 closer to current policy environ., but also a time of crisis.
- Similar results: both find increases in tax, but very different magnitudes.

Comments for Boning

- selection? highlight that combo of two reforms means TP at margin of owing tax wouldn't otherwise receive a tax rebate in either group.
- maybe more mistakes with this than with "normal" income? can you show whether error rates were higher that year?
- is matched DiD better at removing pre-trends than linear controls?
- supplement DiD results with QTE?
- Why (Fig 5) is there a big increase in having tax debt between May and June?
- TPs with interest income (Fig 6) look quite diff in 2007 (prereform). Maybe more financially exposed: 2007 was good, things get bad after?

- again DiD with controls. might worry about functional form. could try matched DiD? could also try looking at a smaller window around reform, using only states without other reforms in window?
- how do overall results look if California is excluded?
- variables measuring tax base (balance) and tax rate (control) treated differently. Any reason?
- Suggestive evidence from California that reform \Rightarrow \uparrow filing. Why not describe this as \uparrow tax base?
- framing issue: can be hard to sell papers with negative results. anything positive about mechanism?

Directions for work on withholding

- Both great contributions to an important and growing area.
- Clear evidence that WH helps bring in revenue.
- Some positive evidence on mechanism, but could still use more.
- Also value of WH has fallen: previously bringing in money, now mostly bringing forward collection. So how important is it to extend to other sources of income?
- How does WH fit in with other tax admin policies: which are complements/substitutes?