Comments on "Best of the Corporate Bunch" by Jim Hines, Elena Patel, Nathan Seegert, Matthew Smith

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Overview of the Paper

- Big question: what is the optimal corporate tax rate for the US?
  - ▶ Need to know how corporations respond to the CIT rate, which is summarized by the corporate ETI
- Approach: Apply a set of novel bunching approaches
- Result: obtain new evidence of the corporate ETI

New Evidence of Corporate ETI

- New data: the universe of US C-corporations
- New approaches: bunching approach that uses newly developed methods
- New (unique) setting: 502 firm-specific kink points
- New finding: preferred estimate of corporate ETI is 0.64, much larger than previous estimates
- New implication: ignoring the aspects emphasized in the newly developed methods would underestimate the elasticity by 25%, which may imply a too high optimal corporate tax rate

Comments: A Comparison of Several Approaches

- BMS (Bertanha, McCallum, and Seegert, 2016) bounds method
  - ▶ Usefulness: Provide a first step to bound the reasonable elasticity estimates
  - ▶ Comment: How does this approach compare to Chetty's (2012 EMCA) bounds method? Which yields a tighter bound? BMS does not consider frictions, while Chetty emphasizes frictions, is it possible to make these two apporaches more comparable?
- PSS (Patel, Seegert, and Smith, 2016) Control method
  - ▶ Pros: Not rely on dist. assumptions, have the best simulation result, robust to various cases
  - ▶ Cons: Cannot be used if an appropriate control group is unavailable
  - ▶ Comment: When appropriate control group exists, can we simply use this approach while ignoring others? If yes, would be great.

Comments: A Comparison of Several Approaches (Cont.)

- Tobit MLE
  - ▶ Perform well enough under normal dist, but not necessarily otherwise. Unfortunately, no way to examine which dist is correct.
- BMS truncation method
  - ▶ Usefulness: Assume local normal rather than global normal dist – weaker requirement.
  - ▶ Comment: How to choose among different percents of truncation? Any standard to choose?
- Classic method
  - ▶ Use Saez (2010), might be interesting to also look at Chetty, Friedman, Olsen, Pistaferri (2011) approach, which is the more widely used one in current literature.

Other comments

- Firm-specific kinks
  - Data section says there are 502 kink points, the estimation uses 30 kinks, why not use all of them?
- Negative relation between corporate ETI and firm-specific kink (Fig. 10)
  - Interesting enough observation, any explanation?
- Would be nice if can make these approaches ready to use for subsequent research