Yu-Chun(Elisa),Cheng
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TO:
NBER Business Income Taxation Workshop Team

August 31, 2020

Dear Business Income Taxation Workshop Team,

I recently become aware of your NBER workshop on business income tax which perfectly suits my research interest in experience. I am writing to express my strong interest in participating in the workshop in the upcoming October.

I am currently a second-year Economics Ph.D. student at Cornell University. My research interest lies in public and labor economics, especially at the firm-level. Before coming to Cornell, I spent a lot of time working with a huge administrative tax return dataset in Taiwan, which includes corporate and business taxes as well as individual income tax.

I have previously involved in multiple projects focusing on firms' tax evasion practice, employees' turnover decision, and other households/labor behavior (my CV is attached). During my research on the effect of tax audit on firm's behavior, I analyzed the causal effect of corporate tax audits on firms' behaviors using a unique corporate tax audit policy in Taiwan. This later developed into a working paper, *Firm Size Responses to Tax Audit: Evidence from a Regression Discontinuity Design*, where we focused on firm's under-reporting and splitting behavior (working paper is attached in CV). Recently, I initiated a new project on firms' transaction network, where I tried to identify firms' upstream and downstream business partners using business tax return data in Taiwan.

The agenda of NBER workshop on business tax return is closely related to my experience in dealing with administrate tax return data and my current working project on business income tax. Therefore, I would very much appreciate the opportunity to participate in the workshop, and I believe my presence at the workshop will bring tremendous value to the group.

Thank you for your consideration.

Yu-Chun(Elisa),Cheng

Adjunt: CV, Research Brief

Recommendation letter writer
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Research Brief

Application:
Yu-Chun(Elisa), Cheng
Phd student, Economics department, Cornell University

My research interest lies in public and labor economics, especially on the firm-level. I am experienced in working with administrative tax return data and government statistics in Taiwan. In the past few years, I have also done multiple projects featuring firms' tax evasion practice, employees' turnover decision, and other households/labor behavior (my CV is attached).

Most relevant to the corporate and business tax is my research on the effect of tax audit on firm's behavior, where I analyzed the causal effect of corporate tax audits on different firms' behaviors using a unique corporate tax audit policy in Taiwan. The dataset involves lower audit effort for firms with reported revenues just below 30 million NTD (i.e. 1 million USD). I have three separate papers under this topic, each featuring distinct types of firm behaviors, motivation, and methodologies. One is published, one is working paper, and the other is my current ongoing project.

Firstly, in the working paper, *Firm Size Responses to Tax Audit: Evidence from a Regression Discontinuity Design*, we focused on firms' underreporting and tax-motivated splitting behavior. We found a corporate tax audit policy significantly increases — by about 4% at the threshold — the number of firms that might strategically split up their businesses. Furthermore, our result also suggests that, on average, firms at the threshold would under-report their revenue by around 960,000 NTD (i.e. 32,000 USD) which is about 3.2 percent of their total revenue.

Secondly, in the paper *Tax Adult and Tax Evasion: Evidence from Taiwanese Firms*, which is accepted by Academia Economic Papers, we paid close attention to how firms "control" their costs and expenses to minimize tax burden. We investigated whether there was a significant difference in salary expenditure of the firms. We used linked corporate income tax and income registry data to construct propensity scores for each firm to reduce selection bias. In the end, we found this policy significantly decreased salary expenditure, and led to annual tax losses of about 2 billion to 3 billion.

Recently, I initiated a new project on firms' transaction network, where I tried to identify firms' upstream and downstream business partners using business tax return data in Taiwan. Except from continuing exploring the tax return data and firm's evasion behavior topic, I am also actively taking the courses related to public finance and exploring topics such as the effect of corporate tax cut and increase in 2007 and 2018 in Taiwan. As a result, I consider the opportunity of attending this workshop will be a valuable experience for me to understand the taxation system and policy in the United States.

Yu-Chun (Elisa) Cheng

July 2020

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Education

- **PhD., Economics, Cornell University** September 2019-Present
- **M.A., Economics, National Taiwan University** September 2017- July 2019
  GPA: 3.93/4.3, Class rank: 8/48
  Advisors: Ming-Jen Lin and Tzu-Ting Yang
- **Double B.A., Political Science and Economics, National Cheng Kung University** 2011-2016
  GPA: 3.95/4 for first 4 years, 4.1/4.3 for last year, Class rank: 2/48

Research Interest

- Public Economics, Health Economics

Research

- **PUBLICATIONS**

- 租稅稽查與廠商租稅逃漏：來自擴大書審廠商的證據
  The Effect of Tax Audit on Firm's Tax-Avoidance Strategies: Evidence From a Natural Experiment in Taiwan (in Chinese) With Tzu-Ting Yang and Hsing-Wen Han

  經濟論文 (Academia Economic Papers), Forthcoming, 2020

- **WORKING PAPER**

- The Effect of Tax Audit on Firm's Behavior: Evidence From a Natural Experiment in Taiwan
  with Tzu-Ting Yang and Hsing-Wen Han [Working Paper]

  Abstract: This paper examines the causal effect of corporate tax audits on firms' behaviors using a unique corporate tax audit policy in Taiwan, which involves lower audit effort for firms with reported revenues just below 30 million NTD (i.e. 1 million USD). We find this policy significantly increases — by about 4% at the threshold — the share of firms that might strategically split up their business. Furthermore, our results suggest, on average, that firms around the threshold could under-report revenue by around 960,000 NTD (i.e. 32,000 USD), which is about 3.2% of total revenue.

- The Effect of User-Charge on Household Waste Behavior: Evidence From a Regression Discontinuity Design, Master Thesis, National Tawian University. Advisors: Ming-Jen Lin and Tzu-Ting Yang [Working Paper]

  2019 Annual Best Master Thesis Award: Public Issue, Taiwan Economic Association (TEA)

  Abstract: This paper exploits the historical statistical data and government open data at the district level to examine the effect of Pay-As-You-Throw (User-Charge) on households'waste behavior. New Taipei City (Taiwan's most populous city) initiated a Trash Per-bag Fee Collection Policy, versus the previous one based on household tap water consumption, in each district at different times from 2008 to 2011. We

utilized the regression discontinuity design to estimate the overall policy effect and found the user-charge policy reduced solid waste quantities by about 50%, and increased food waste by about 40%. For the reduction of solid waste, the effect is stronger in the low income group. On the other hand, the effect of user charge on recycling significantly increase recycling only in higher education level and income group. In addition, the policy externality of user-charge is not statistically significant.

- The Effect of Compensation on Employee Turnover: Evidence from Taiwanese Administrative Data
  with Tzu-Ting Yang, Hsing-Wen Ha, Hao-Chung Li, and Wen-Chieh Lee [Working Paper]

  Abstract: This paper examines the causal effect of compensation on employee turnover. We utilize an unique policy reform that did not change a firm's labor costs but substantially reduced the compensation that an worker can receive. Our results indicates that an one-million reduction in compensation can increase a high-paid worker's likelihood of quitting a job by 50%.

- **WORKING IN PROCESS**
- Labor Share and Inequaity Within Firm in Taiwan, with Ming-Jen Lin
- The Effect of Fake News on Media Slant: Evidence From a Natural Experiment on PPT Bulletin Board

Awards

- **Best Master Thesis Award: Public Policy, 2019**
  by Taiwan Economic Association (TEA) based on my master thesis: *The Effect of User-Charge on Household Waste Behavior*
- **Received Presidential Award 3 times from National Cheng Kung University**
  given each semester to students ranked in the top 5% of class
- **College Student Research Scholarship**
  by Ministry of Science and Technology (MOST) based on my empirical working paper: *Intergenerational Transmission of Educational Attainment: The study of social capital theory* Advisors: Wei-Hua Tian

Work Experience

- **Research Assistant** August 2016- August 2017
  Taiwan Studies Center, National Chengchi University
  Employer: Hsien-Ming Lien, Vance Kuang-Ta Lo, Tzu-Ting Yang, and Hsing-Wen Han

- Raising Higher Education Productivity Project
  - Responsible for programing institutional data, including application, input, and analysis.
- Tax Return BigData Project
  - Responsible for the project: The effect of corporate income tax rate on wage by using the Taiwan Corporate Income Tax Reform in 2010 as a natural experiment.
  - Reviewed and organized the relevant literature on intergenerational mobility of income and wealth.
  - Organized workshops and regular meetings.
  - Constructed employee-employer matched dataset using income tax, birth data, corporate income tax, and business income tax.
  - Responsible for application, input, and analysis of various tax return data.

- Medical Care Project
    - Assisted in aggregating tax return data relative to health care service and hospital finance

- **Research Assistant** August 2017- July 2019
  Advisors: Ming-Jen Lin
    - Responsible for the project "Labor share and inequaity within firm in Taiwan".
    - Review and organize the literature on labor share and wage inequality within firm and industry.
    - Assist in aggregating tax return data relative to within firm inequality and labor share, from Taiwan's Ministry of Finance.

- **Teaching Assistant** September 2018-July 2019
  Lecturers: Professors Pohan Fong and Ming-Jen Lin
    - Assist in weekly class, grading, homework, and exams.

Computer Skills

- Statistical Software: Stata (expert), R
- Typesetting: Latex
- Programming: Python, QGIS

Ph.D. courses

Completed Courses
Microeconomic Theory I
Microeconomic Theory II
Microeconomic Theory III
Macroeconomics I
Macroeconomics II
Econometrics I
Econometrics II

Onging Courses
Health Economics
Public Economics Workshop
Public Finance

Cornell University

Department of Economics

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September 9, 2020

Dear Brett:

I hope this letter finds you well.

I am writing to recommend Yu-Chun (Elisa) Cheng for participation in NBER Graduate Student Workshop on Business Income Taxation.

Elisa is in the second year of our PhD program and is doing very well. Despite relatively short time spent in the program, she is quite clear about her research interests and aspirations.

Elisa successfully completed all required course work. She appears quite entrepreneurial in her research endeavors. As of now, she has three working papers, one directly related to Business Income Taxation. In ``The Effect of Tax Audit on Firm's Behavior: Evidence From a Natural Experiment in Taiwan'' Elisa and co-authors study the impact of audits on business behavior.

I think that she would greatly benefit from the workshop. In particular, early exposure to innovative research may give her a qualitative boost in setting a successful and realistic agenda for her thesis.

Please do not hesitate to contact me if you require any further information.

Yours sincerely,

L Barseghyan

Levon Barseghyan

Cornell University is an equal opportunity affirmative action educator and employer.