Do Changes in the Cost of Investing Abroad Affect Domestic Investment?

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Section 1. Overview

A central question in the study of inter-jurisdictional tax competition is how profit shifting impacts the effective tax rates (ETRs) that businesses pay in different locations. Quantifying these tax differentials is crucial to measuring the extent of international tax competition and to understanding how tax competition impacts economic activity, including the scale and location of investment and employment.

This project will use administrative tax data to study the effects of an important policy change that affected US multinationals (MNCs). The policy we study—"check the box" (CTB) regulations that were introduced in 1997—simplified the use of aggressive tax planning techniques by allowing US firms with international operations to treat some foreign affiliates as disregarded entities. By disregarding foreign affiliates, US MNCs could reduce their foreign ETRs, which could further impact decisions to invest at home and abroad.

This project will first study the effects of CTB on the foreign ETRs of US MNCs by utilizing tax data on disregarded entities and on the foreign operations of US MNCs. Prior research has shown that CTB lowered foreign effective tax rates (ETRs) on investment abroad.[1] Blouin and Robinson (2020) also argue that CTB distorted tax statistics by reallocating profits from disregarded entities to other foreign affiliates, often located in different countries. Relative to these papers, access to data on the operations of foreign affiliates (Form 5471) and on the decision to disregard foreign affiliates (Form 8858) will allow us to provide new estimates of the effects of CTB on the foreign ETRs paid by US MNCs.

We will then use this policy variation in foreign ETRs to study the effects of CTB on the domestic and foreign investment of US MNCs. Prior research using data from the Bureau of Economic Analysis shows that economic shocks abroad affect the domestic investment of US MNCs (Desai et al, 2009). Similarly, research studying US tax policies has shown that provisions that enable or limit profit shifting can affect real economic activity in the US (e.g., Grubert and Slemrod, 1998, Suárez Serrato, 2019). However, the effects of foreign taxes on domestic investment have not been analyzed for recent years and have not been measured using tax data. The goal of this project is to use tax return data to provide a comprehensive analysis of how changes in tax costs abroad affect business investment in the US. The answer to this question is important for evaluating the effects of recent and proposed changes to international tax rules on the real behavior of US MNCs.

[1] Altshuler and Grubert (2006) present suggestive evidence that this change dramatically lowered the ETRs on investment abroad of US MNCs using tax data from controlled foreign corporation (CFC) information forms (Form 5471).

Our main empirical strategy will use administrative tax data to implement a difference-in-differences research design that compares investment patterns of US MNCs that were positioned to benefit from CTB the most – i.e., "treated firms" – to those that were likely unaffected – i.e., "control firms." We need three key pieces of information to implement this strategy: a measure of treatment intensity (i.e., exposure to CTB), measures of changes in foreign ETRs, and measures of real outcomes, such as domestic investment and payroll.

To implement this strategy, we have obtained access to the IRS Statistics of Income (SOI) tax files, which contain all of this key information in the tax and information forms filed by US MNCs. Crucially, data from Form 8858 include ownership information on disregarded entities that has been largely unavailable to researchers studying the effects of CTB. These data provide a high-resolution picture of the tax strategies used by US MNCs. For example, we are able to identify cases where US MNCs adopted specific tax strategies, such as the famed "Dutch sandwich" and "Double Irish."[2] These data also allow us to construct measures of foreign ETRs that correct for measurement problems generated by foreign disregarded entities.

A $15,000 grant from the NBER would be a significant aid in the development of this project. The main expense category ($14,000) will be to pay for a research assistant to advance the data analysis. These funds would pay for research time during the summer and part of the academic year. Additionally, $1,000 will be used for travel expenses for the authors to convene in the same location and write part of the paper. The research team, including the research assistant, has obtained clearance from the IRS and access to the data as part of the SOI Joint Statistical Research Program. We are thus perfectly positioned to use the grant funds to advance this exciting research project.

Section 2. Empirical Strategy

Studying the effects of international tax changes is complicated by the problem that MNCs are some of the largest firms in the economy and it is often hard to find a suitable control firm. We plan to use several empirical strategies that rely on different sets of control firms and that also deal with concerns of endogeneity. We describe our main empirical strategy below.

Our main research strategy compares firms that disregarded foreign affiliates with firms that either never disregard an entity, or with those that do so in later years. This research design is based on the difference-in-differences specification:

$$Y_{it} = \alpha_t + \gamma_i + \beta^Y Post_{it} \times Treatment_i + \Gamma X_{it} + \epsilon_{it,}$$

where Y_{it} is an outcome at the firm, i, and year, t, level. The main independent variable, $Treatment_i$, indicates firms that disregarded a foreign affiliate. The date of this event is recorded in Form 8858, which signals when the firm can potentially take advantage of the profit shifting opportunities created by CTB. We use these data to construct the variable $Post_{it}$. The coefficients β^Y will measure how having a disregarded entity impacts our outcomes of interest. Note that since $Treatment_i$ will be fixed in time,

[2] For instance, Zucman (2014) describes how Google combined these strategies to lower its ETR abroad.

the direct effect of this variable is absorbed by the firm fixed effect γ_i. Since the treatment timing varies at the firm level, we will use estimators that are robust to biases that may arise in standard two-way fixed effects specifications (e.g., Callaway and Sant'Anna, 2021).

An important concern is that the decision to disregard a foreign entity is an endogenous firm decision. To ensure that we are comparing otherwise similar firms, we will construct a propensity score of the likelihood of disregarding a foreign entity based on firm-level measures using information prior to the enactment of the policy. Specifically, US MNCs with operations in high-tax countries, countries with lax thin-capitalization rules, and with debt-heavy or IP-heavy affiliates were more likely to be able to take advantage of CTB to reduce foreign tax costs.[3] Using tax data from Forms 5471 and 8858 supplemented by other publicly available data, we will construct variables that measure these four types of variation. By applying an inverse probability weighting procedure, our estimates will control for selection into treatment. One way to assess the validity of this assumption will be to test whether key variables of our treated and control firms have similar trends in the pre-period.

We will focus on three types of outcomes: (1) ETRs, (2) domestic payroll and investment, and (3) foreign investment. We will construct ETRs using data from corporate tax returns (Form 1120s), for domestic ETRs, and subsidiary level data from Forms 5471, for foreign ETRs. As mentioned above, CTB potentially distorts country-level measures of foreign ETRs. We have access to detailed financial information for the disregarded entities (Form 8858) that we can use to correct these distortions. We will use data from Form 1120 on domestic payroll and from Form 4562 reporting depreciation and amortization to measure domestic investment. Finally, we will use Forms 5471 and 8858, which contain data on the assets of foreign affiliates and foreign disregarded entities to measure foreign investment as a change in assets and asset categories (e.g., buildings versus equipment).

Our estimates will relate changes in foreign tax costs to domestic and foreign activity. With estimates of the equation above on foreign ETRs β^{ForETR} and domestic investment β^{DomInv}, we will be able to compute the effect of increasing foreign tax costs on domestic investment with the ratio $\beta^{DomInv}/\beta^{ForETR}$. This ratio has the interpretation of the effect of increasing foreign ETRs on domestic investment. Similarly, we will compute ratios for the effects on foreign investment and domestic payroll.

After years of working to obtain access to confidential tax data, we are finally poised to use CTB—an important natural experiment in international taxation—to study how changes in the cost of investing abroad impact the domestic activities of US MNCs. Funding from the NBER will allow us to take advantage of our access to tax data to improve our understanding of the real effects of international tax provisions and the extent of international tax competition.

[3] The intuition is straightforward. To lower foreign tax costs, US MNCs must first operate in high tax counties. One of the simplest ways to lower foreign tax costs is to strip income by loading affiliates in high-tax countries with costly internal debt. This is possible when a high-tax affiliate already has significant internal debt obligations and when foreign countries do not limit intra-group interest payments through thin capitalization rules. An additional way to lower foreign tax costs is to use royalty payments for the use of IP located in low-tax countries.

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Rutgers University Scholar–Teacher Award, 2016

Academic Leadership Program Fellow, Committee on Institutional Cooperation (2014-2015)

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Member, Steering Committee, International Network for Tax Research, OECD (2013–)

Trustee, American Tax Policy Institute (2012 –2014)

Advisory Board, Urban-Brookings Tax Policy Center, (2010 –)

National Tax Association Outstanding Service Award (2007)

Member, Statistics of Income Advisory Panel, Internal Revenue Service (2005–)

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Editorial Advisory Board, *Tax Notes* (2020 –)

Editor, Policy Watch, *International Tax and Public Finance* (2014 –2017)

Editor, *National Tax Journal* (2001 – 2006)

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Editorial Advisory Board, *Fiscal Studies* (1996 – 2000)

PUBLISHED PAPERS:

"The Future of the New International Tax Regime," *Fordham Journal of Corporate & Financial Law*, September 2019, Volume 24, Number 2, pages 225-241.

"Shifting the Burden of Taxation from the Corporate to the Personal Level and Getting the Corporate Tax Rate Down to 15 Percent," (with Harry Grubert), *National Tax Journal*, September 2016, 69(3), 643-676.

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"Understanding U.S. Corporate Tax Losses," (with Alan J. Auerbach, Michael Cooper and Matthew Knittel), *Tax Policy and the Economy* 23, Cambridge: MA: MIT Press, 2009, 73-122.

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POLICY PIECES:

"Lessons the United States can Learn from Other Countries' Territorial Systems for Taxing Income of Multinational Corporations" (with Stephen Shay and Eric Toder), Urban-Brookings Tax Policy Center Report, January 21, 2015.

"Inter-nation Competitiveness: A Discussion Paper on Base Erosion and Profit Shifting," *Bulletin for International Taxation*, Volume 68, Number 6/7, 2014, 361-365.

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"Tax Stimulus Report Card: Conference Bill," (with Howard Gleckman, Roberton Williams,

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Discussion of "Raising Revenue from Reforming the Corporate Tax Base," in J. Diamond and G. Zodrow (editors), *Pathways to Fiscal Reform*, MIT Press, 2016.

Discussion of "The International Dimension," in J. Alm, J. Martinez-Vasquez, and M. Rider (editors), *The Challenges of Tax Reform in a Global Economy*, Springer, 2006, 207-212.
Discussion of "An Evaluation of Alternative Measures of Corporate Tax Rates," in *Proceedings of the 1999 University of Illinois Tax Research Symposium*, 2000.

WORKING PAPERS AND WORK IN PROGRESS:

"The Effects of Foreign Tax Costs on Domestic Investment," with Juan Carlos Suarez Serrato (SOI Joint Statistical Research Program project)

"The Spillover Effects of Outward Foreign Direct Investment on Home Countries: Evidence from the United States," (with Jitao Tang), Rutgers University Working Paper Number 2015-01.

OP-EDS:

"Create Minimum Rate and Exempt Dividends," NYTimes.com, May 30, 2013 (http://www.nytimes.com/roomfordebate/2013/05/30/how-multinationals-can-best-be-taxed/create-minimum-corporate-tax-rate-on-foreign-income-and-exempt-dividends)

"Cut the Mortgage Interest Deduction," NYTimes.com, November 14, 2010 (http://www.nytimes.com/roomfordebate/2010/11/14/16-ways-to-cut-the-deficit/cut-mortgage-interest-deductions)

"Five Myths About Income Taxes," (with Roberton Williams), Washington Post, April 5, 2010 (http://www.washingtonpost.com/wp-dyn/content/article/2010/04/01/AR2010040102287.html)

EDITED JOURNAL SPECIAL ISSUES:

"Recent Interdisciplinary Research in Accounting and Economics," co-edited with Edward Maydew and Douglas Shackelford, *National Tax Journal*, December 2008.

"Taxation and Savings," co-edited with James Poterba, *National Tax Journal*, June 2004.

"Interdisciplinary Research in Taxation," co-edited with Douglas Shackelford, *National Tax Journal*, March 2003.

KEYNOTE SPEECHES (2000-present):

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2018 Keynote Speaker, Fordham Law School Symposium on "The Future of the New International Tax Regime", New York, NY. (Published in *Fordham Journal of Corporate and Financial Law*, Volume 24, No.2, 2019).

2015 Keynote Speaker, 71st Annual Congress of the International Institute for Public Finance, Dublin, Ireland.

2011 Keynote Speaker, National Association of Manufacturers – Tax Committee Meeting, Washington, DC.

2006 Keynote Speaker, University of Coimbra, Faculty of Economics, Fourth Conference on Fiscal Policy, Coimbra, Portugal.

GOVERNMENT TESTIMONY AND INVITED PRESENTATIONS (2000-present):

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2012 Senate Finance Committee, "Hearing on Extenders and Tax Reform: Seeking Long-Term Solutions," Washington, DC, (January 31).

Academic Roundtable participant, Senate Finance Committee meeting on tax reform, Washington, DC (January 6-7).

2011 House Ways and Means Committee, "Hearing on Tax Reform and Consumption-Based Tax Systems," Washington, DC, (July 26).

House Ways and Means Committee Democratic Retreat, "Issues in Territorial Taxation," Washington, DC, (March 3).

Senate Committee on the Budget, "Hearing on Tax Reform: A Necessary Component for Restoring Fiscal Responsibility," Washington, DC, (February 2).

2010 Tax Reform Working Group of the National Commission on Fiscal Responsibility and Reform, Washington, DC.

2009 Tax Reform Working Group of the President's Economic Recovery Advisory Board, Washington, DC.

2005 Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

EXTERNAL SEMINARS (2000-present):

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2016 National Tax Association Annual Conference, Baltimore, MD; Urban-Brookings Tax Policy Center, Oxford University, University of California-Berkeley Conference on a Corporate Tax for the 21st Century, Washington, DC; Association Spring Symposium, Washington, DC; Georgetown Law School/ITPF Conference on Taxation of Intellectual Property in a Global Economy, Washington, DC; International Monetary Fund Workshop on U.S. Corporate Income Tax Reform, Washington, DC; International Tax Policy Forum Member Meeting, Washington, DC

2015 Burch Center/PennWharton/Urban-Brookings Conference on the Economics of Tax Policy, Washington, DC; Urban-Brookings Conference on How we get to Tax Reform, Washington, DC; Tax Analyst Capitol Hill Briefing on Formulary Apportionment, Washington, DC; Columbia Law School/Davis Polk conference on Inversions: Implications for Tax Planning, Tax Policy, and Corporate Governance, New York City, NY; 15th Annual NYU/ KPMG Tax Lecture Series, New York City, NY.

2014 American Enterprise Institute / ITPF Conference on the Economics Effects of Territorial Taxation, Washington, DC; International Monetary Fund Workshop on Spillovers in International Taxation, Washington, DC; Oxford Centre on Business Taxation Annual Summer Symposium, Oxford, England; Fordham Law School Roundtable Discussion on Changes in the Tax Law, New York City, NY; Urban-Brookings Tax Policy Center Conference on Territorial Tax Systems, Washington, DC; INTR Conference on Base Erosion and Profit Shifting, Munich, Germany; Tax Council Policy Institute Symposium, Washington, DC.

2013 Tax Policy Conference, SIEPR, Stanford, Palo Alto, CA; Milbank Tweed Forum - Cliffs Forever?: Tax Reform and the Future of Fiscal Policy, NYU School of Law, New York, NY; ATPI Conference - Reforming the U.S. System for Taxing International Income, Washington, DC.

2012 Kansas Journal of Law and Public Policy Symposium, Lawrence, KA; Trans-atlantic Public Economics Seminar on Business Taxation, Oxford, England; Oxford Centre on Business Taxation Annual Summer Symposium, Oxford, England; Harvard Law School Seminar on International Tax Reform, Woodstock, VT; International Tax Policy Forum Meeting on Corporate Tax Reform, Washington, DC; National Tax Association Annual Conference on Taxation, Providence, RI; OECD- MIT Workshop on Knowledge-Based Capital.

2011 Villanova Law Review Norman J. Shachoy Symposium, Villanova, PA; Economic and

Fiscal Reform in the United States, James A. Baker Institute for Public Policy, Houston, TX; ATPI Conference on International Taxation and Competitiveness, Washington, DC; National Tax Association Annual Conference on Taxation, New Orleans, LA; IMF Conference on Tax-Induced Debt-Bias, Washington, DC; American Bar Association Section on Taxation Mid-Year Meetings, Boca Racon, Florida; International Tax Policy Forum Conference on Tax Reform in Canada, Japan, the U.K and the U.S., Washington, DC.

2010 Fiscal Policy in the Post-Crisis World, Nomura Foundation, Tokyo, Japan; APPAM Annual Fall Conference, Boston, MA; 7th Annual New Mexico Tax Research Institute Tax Policy Conference, Albuquerque, NM; Virginia Tax Study Group, University of Virginia School of Law, Charlottesville, VA; Train Wreck: A Conference on America's Looming Fiscal Crisis, USC Gould School of Law, Los Angeles, CA; Evaluating the Wyden-Gregg Tax Plan, Congressional Staff Seminar, U.S. Congress, Washington, DC; Is Wyden-Greg the First Step to Tax Reform, Heritage Foundation, Washington, DC; Desperately Seeking Revenue, Urban Institute, Washington, DC.

2009 Tax Policy in the Obama Era, UCLA School of Law, Los Angeles, CA; National Tax Association Annual Conference on Taxation, Denver, CO; New Zealand Tax Reform – Where to Next?, Wellington, New Zealand; American Tax Exceptionalism, Brookings Institution, Washington, DC; Decoding the Corporate Income Tax, Urban Institute, Washington, DC; Tax Forum 2009 – European Commission Conference, Brussels, Belgium; The OECD's Evolving Role in Shaping International Tax Policy, Washington, DC; Tax Directors Roundtable, NY, NY.

2008 Progressive Consumption Taxation, American Enterprise Institute, Washington, DC; Taxes and Mobility, University of Tennessee, Knoxville, TN; Tax Policy and the Economy, Washington, DC; National Tax Association Spring Symposium, Washington, DC; IRS Statistics of Income Advisory Board Meeting, Washington, DC; New Book Symposium, Yale Law School, New Haven, CT; FACT/AEI Conference on Assessing the Effects of Corporate Taxation, Washington, DC, NBER Conference on Incentive and Distributional Consequences of Tax Expenditures.

2007 National Tax Association Annual Conference on Taxation, Columbus, OH; Office of Tax Policy Research (University of Michigan) and Econpubblica (Bocconi University) Conference on Tax Havens and Tax Competition, Milan, Italy; Oxford Centre on Business Taxation Summer Symposium, Oxford, England; Hamilton Project Authors' Conference, Brookings Institution, Washington, DC; Panel on the Alternative Minimum Tax, New York University School of Law, NY, NY; Kellogg School of Management, Northwestern University, Evanston, IL.

2006 James A. Baker III Institute for Public Policy, Conference on Fundamental Tax Reform, Rice University, Houston, TX; American Enterprise Institute Conference on Corporate Income Taxation and the Economy, Washington, DC; American Enterprise Institute – International Tax Policy Forum Conference on Tax Havens and Foreign Direct Investment, Washington, DC; Federal Bar Association, Ninth Invitational Biennial Conference, Tax Administration and the Legislative Process, Warrenton, VA; Tax Council Policy Institute, 2006 Spring Legislative Conference, Palm Beach, FL; International Tax Policy Forum, Winter Meeting, Washington, DC; Kellogg School of Management, Northwestern University, Evanston, IL.

2005 International Tax Symposium, University of Florida, Levin College of Law, Gainesville, FL; National Tax Association Annual Conference on Taxation, Miami, FL; Brookings Institution, Conference on Tax Reform in an Open Economy, Washington, DC; Brookings Institution, Conference on the Tax Reform Panel Report, Washington, DC; National Tax Association, Annual Conference, Miami, FL; IRS Statistics of Income, Advisory Panel Meeting, Washington, DC; Levin College of Law, University of Florida, Gainesville, FL.

2004 National Tax Association Annual Conference on Taxation, Minneapolis, MN; Conference on the Challenges of Tax Reform in a Global Economy, Andrew Young School of Policy Studies, Georgia State University, Stone Mountain, GA; New York University/Tax Analysts Seminar for Government, NY, NY.

2003 International Tax Policy Forum/American Enterprise Institute Conference on Tax Competition, Washington, DC; University of Illinois Tax Research Symposium, Urbana-Champaign, IL; OECD, Working Party 2 Workshop on Tax Burden Measures, Paris, France; New York University/Tax Analysts Seminar for Government, NY, NY; National Tax Association Annual Conference on Taxation, Chicago, IL; NBER Conference on Taxation and Saving, Chatham, MA; American Tax Policy Institute Roundtable Conference, Washington, DC.

2002 NBER Summer Institute, Boston, MA; National Tax Association Annual Conference on Taxation, Orlando, FL.

2001 Brookings Institution/International Tax Policy Forum Conference on Territorial Income Taxation, Washington, DC.

2000 New York University/Tax Analysts Seminar for Government, NY, NY; Trans-Atlantic Public Economics Seminar, Gerzensee, Switzerland; American Law and Economics Association Annual Meeting, NY, NY; Trans-Atlantic Public Economics Seminar, Gerzensee, Switzerland.

MEDIA APPEARANCES:

CNN Your $$$$$, ABC News, Wall Street Journal Video Series, NPR Marketplace, NPR Morning Edition, WAMU *Kojo Nandi Show*, WAMU *The Diane Rehm Show*, Chinese Central Television

PUBLIC SERVICE APPEARANCES:

"What's New in Tax Policy," South Orange-Maplewood Adult School, Maplewood, NJ, May 6, 2013.

"What Does the Fiscal Cliff Deal Really Mean for Taxpayers," North Jersey Public Policy Network, February 25, 2013.

"A Guide to Tax Issues in the 2012 Election," Rutgers Alumni Association, New Brunswick, NJ, Oct 23, 2012.

"Economic Issues in the National Election" Rutgers University, New Brunswick, NJ, Oct 15, 2012.

"Election 2012: Tax Reform," National Constitution Center, Philadelphia, PA, Feb 7, 2012.

UNIVERSITY SERVICE AT RUTGERS (2000-present):

Promotion/Tenure Webinar for Rutgers New Brunswick Faculty, Speaker, 2020
SAS Nominations and Elections Committee, 2019-
Article 10 Grievance Committee, 12/19 - 2/20
Ad hoc SAS Committee to Evaluate the Student Instructional Review Survey, 2019-
School of Graduate Studies Appeal Committee, 2018-
SAS Undergraduate Admissions Committee (elected), 2018-2020
Advisory Committee for Appointments and Promotions of Faculty for the School of Arts and Sciences, 2018-2020
Ad Hoc SAS Administrative Staff Realignment Committee (elected), 2017-2018
Review Committee for Board of Trustees and Scholar/Teacher Awards, 2018, 2017
Advisory Board of the Office for the Promotion of Women in Science, Engineering and Mathematics, 8/15–
Co-chair, Undergraduate Education Task Force on SAS Strategic Plan, 5/15 – 5/16
Member, Graduate School of New Brunswick Dean's Evaluation Committee
3/15–6/16
Elected Member, SAS Executive Dean Search Committee, 10/13 – 4/14
Member, SAS Executive Committee, 2/12 – 5/16
Member, SAS Budget and Revenue Sharing Committee, 2/12 –
Member, SAS Online Education Steering Committee, 9/12 –
Master Faculty, Master Faculty Observation Program, Teaching Assistant Project, Graduate School – New Brunswick, 1/07 – 7/07
Advisory Committee for Appointments and Promotions of Non-tenured Faculty for the School of Arts and Sciences, 9/06 – 12/08
Social Sciences Area Committee, Graduate School – New Brunswick, 9/06 – 12/08
Task Force on Honors and High–Achieving Students for the School of Arts and Sciences, 1/06 – 12/06
New Brunswick Advisory Committee for Grants to Enhance the Undergraduate Curriculum and Teaching, Office of Undergraduate Education, 9/03 – 12/03
New Brunswick Advisory Committee for Instructional Computing, 9/02 – 12/03
New Brunswick Task Force on Academic Support, 1/01 – 7/02
Advisory Committee for Appointments and Promotions of Non–tenured Faculty in the Social and Behavioral Sciences, 1/00 – 7/01

DEPARTMENT SERVICE AT RUTGERS (2000-present):

Undergraduate Honors and Award Committee (9/17 –)
Executive Committee (1/08 –7/09, 9/10 – 7/11, 7/18 –7/20)
Undergraduate Education and Curriculum Committee (Chair, 1/00 – 12/00, 7/18 –7/20)
Chair (7/11 – 7/14, 7/15 – 7/16)

Sidney Simon Committee (1/08 – 7/09)
Workshop Coordinator, Empirical Microeconomics Workshop (1/18 – 7/18, 9/06 – 7/08)
Undergraduate Honors Program Supervisor (9/02 – 7/03, 1/00 – 7/00)
Economics Department Workload Committee (1/00 – 12/02)
Graduate Admissions and Standards Committee (Chair, 9/00 – 12/00)
Graduate Examinations and Dissertations Committee (1/00 – 7/00)
Faculty Recruiting Committee (9/00 – 12/00, 1/03 – 7/03)

TEACHING EXPERIENCE:

Rutgers University	Undergraduate Principles of Microeconomics, Undergraduate Public Economics, Undergraduate Cost-Benefit Analysis, Undergraduate Honors Seminar, Undergraduate Economics of Taxation, Graduate Public Economics
Wagner Graduate School of Public Service (NYU)	Masters Level Microeconomics
New York University School of Law	Colloquium on Tax Policy and Public Finance, Public Economics for Lawyers.
Princeton University	Undergraduate Public Economics, Graduate Public Economics.
Columbia University	Undergraduate Public Economics, Masters Level Policy Analysis, Masters Level Public Economics for Developing Countries, Graduate Public Economics.

CONSULTING EXPERIENCE:

PricewaterhouseCoopers, Steptoe & Johnson LLP, Alliance for Competitive Taxation, Urban-Brookings Tax Policy Center.

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Current Appointments

9-12/21	Visiting Professor of Economics, Department of Economics, Northwestern University
7/19-	Associate Professor of Economics, Department of Economics, Duke University
10/19-	Research Associate, National Bureau of Economic Research (FRF starting 7/14)
10/19-	Research Fellow, CESifo
1/19-	Co-Editor, *Journal of Public Economics*
11/19-	Board of Editors, *National Tax Journal*
1/20-	Board of Editors, *American Economic Journal: Economic Policy*

Past Positions

1/17-6/19	Kathleen Kaylor and G. Richard Wagoner Jr. Assistant Professor of Economics, Department of Economics, Duke University
7/14-12/16	Assistant Professor, Department of Economics, Duke University
7/12-6/14	Postdoctoral Fellow, Stanford Institute for Economic Policy Research (SIEPR)

Visiting Positions

6/19-7/19	CESifo Visiting Fellow, LMU, Munich
2/19-3/19	Campbell Visiting Fellow, Hoover Institution, Stanford University
1/19-12/19	Visiting Scholar, Federal Reserve Bank of Philadelphia
1/18-5/18	Visiting Professor, Economics Department, Yale University
5/16-7/16	IGM Visiting Fellow, University of Chicago Booth School of Business
5/15-6/15	Visiting Professor of Economics, University of Barcelona
6/13-7/13	Visiting Professor of Economics, El Colegio de México
7/12-6/14	Research Scholar, Department of Economics, Duke University

Education

2006-2012	Ph.D. Economics, University of California, Berkeley Committee: Emmanuel Saez, Alan Auerbach, Patrick Kline, Shachar Kariv
2005	AEA Summer Training Program, Duke University
2003-2006	B.A. Mathematics and Economics, Trinity University, TX, *magna cum laude*, ΦBK

Publications

1. "Who Benefits from State Corporate Tax Cuts? A Local Labor Markets Approach with Heterogeneous Firms," (with O. Zidar) *American Economic Review*, September 2016, 106 (9), 2582-2624.

2. "Broken or Fixed Effects?" (with C. Gibbons and M. Urbancic), *Journal of Econometric Methods, 2018, 8 (1), 2017002.*

3. "The Structure of State Corporate Taxation and its Impact on State Tax Revenues and Economic Activity" (with O. Zidar), *Journal of Public Economics,* Volume 167, November 2018, 158-176.

4. "State Taxes and Spatial Misallocation," (with P. Fajgelbaum, E. Morales, and O. Zidar), *The Review of Economic Studies,* 86 (1), January 2019, 333-376.

5. "How Elastic is the Demand for Tax Havens? Evidence from the US Possessions Corporations Tax Credit," (with D. Garrett), *AEA Papers and Proceedings,* 109, May 2019, 493-99.

6. "Tax Policy and Local Labor Market Behavior,"(with D. Garrett and E. Ohrn), *American Economic Review: Insights,* March 2020, *2 (1), 83-100.*

7. "The Limits of Meritocracy: Screening Bureaucrats Under Imperfect Verifiability," (with X-Y. Wang and S. Zhang), *Journal of Development Economics, 140, September 2019, 223-241.*

8. "The Structure of Business Taxation in China," (with Z. Chen, Y. He, Z. Liu, and D.Y. Xu) *Tax Policy and the Economy, Volume 35, University of Chicago Press, October 2020.*

9. "Industrial Energy Regulation: The Role of Business Conglomerates in China," (with Q, Chen, Z. Chen, Z. Liu, and D.Y., Xu), *AEA Papers and Proceedings, vol. 111, May 2021, pp. 396-400.*

10. "Notching R&D Investment with Corporate Income Tax Cuts in China," (with Z. Chen, Z. Liu, D.Y. Xu), *American Economic Review, 2021, 111(7): 2065-2100 (Lead Article).*

11. "Do Corporate Tax Cuts Increase Income Inequality?," (with S. Nallareddy and E. Rouen), Working Paper 24598, NBER, December 2019, *Accepted at Tax Policy and the Economy.*

12. "Tax Policy and Lumpy Investment Behavior: Evidence from China's VAT Reform," (with Z. Chen, X. Jiang, Z. Liu, D.Y. Xu), October 2021, *Accepted at The Review of Economic Studies.*

13. "Tax Advantages and Imperfect Competition in Auctions for Municipal Bonds," (with A. Ordin, D. Garrett, and J.W. Roberts), August 2021, *Accepted at The Review of Economic Studies.*

Working Papers

1. "Estimating Local Fiscal Multipliers," (with P. Wingender) Working Paper 22425, NBER, July 2016. *under revision for Econometrica, (3rd round).*

2. "Estimating the Incidence of Government Spending," (with P. Wingender) Working Paper, Stanford University 2014.

3. "Unintended Consequences of Eliminating Tax Havens," Working Paper 24850, National Bureau of Economic Research, December 2019, *under revision for the American Economic Review.*

4. "Taxing Property in Developing Countries: Theory and Evidence from Mexico," (with A. Brockmeyer, A. Estefan, and K. Ramírez), Working Paper 28637, National Bureau of Economic Research, February 2021, *under review. 2nd place winner of the 2020 Citibanamex Prize in Economics.*

5. "A Kinky Consistency: Experimental Evidence of Behavior Under Linear and Non-Linear Budget Sets" (with E. Huet-Vaughn and E. McClure), March 2021, *under review.*

6. "Regulating Conglomerates in China: Evidence from an Energy Conservation Program" (with J. Chen, Z. Chen, Z. Liu, and D. Xu), Working Paper 29066, National Bureau of Economic Research, October 2021, *under revision for the American Economic Review.*

7. "Capital Investment and Labor Demand" (with E. M. Curtis, D. Garrett , E. Ohrn, and K. Roberts), Working Paper 29485, National Bureau of Economic Research, November 2021, *under review.*

Work in Progress

1. "The Race Between Tax Enforcement and Tax Planning: Evidence From a Natural Experiment in Chile" (with S. Bustos, D. Pomeranz, J. Vila-Belda, and G. Zucman)

2. "International Taxation and Local Labor Markets" (with D. Garrett and E. Ohrn) *winner of the 2021 IIPF Peggy and Richard Musgrave Prize*

3. "Do Changes in the Cost of Investing Abroad Affect Domestic Investment?" (with R. Altshuler)

Other Writings

1. "Targeting Business Tax Incentives to Realized Wage Growth" in Kate Bahn, editor, *Boosting Wages for U.S. workers in the New Economy*, Washington Center for Equitable Growth and the Institute for Research on Labor and Employment at the University of California, Berkeley, January 2021
2. "How developing countries can boost their property tax revenues: Evidence from Mexico City" VoxDev.org (with A. Brockmeyer, A. Estefan, and K. Ramírez), May 2021
3. "Economic Effects of Repealing the US Possessions Corporation Tax Credit" NBER Reporter 2020, number 2, July 2020
4. "How Errors in Census Counts Affect Federal Spending" The Minority Report of the American Economic Association, Winter 2020
5. "China's 2009 VAT reform and lumpy investment behaviour" (with Z. Chen, X. Jiang, Z. Liu, D. Xu), VoxDev.org, Jan. 2020
6. "New tax cuts may encourage companies to replace workers with machines" (with D. Garrett and E. Ohrn) in The Hill, March 2019
7. "Unintended Consequences of Eliminating Tax Havens" Cato Institute Research Briefs in Economic Policy No. 142, December 12, 2018
8. "How relabelling increases the fiscal cost of R&D incentives" (with Z. Chen, Z. Liu, D. Xu), VoxEU.org, Aug. 2018
9. "Federal tax cuts won't boost workers' wages – here's why" (with E. Rouen) The Hill, May 2018
10. "Notching R&D Investment with Corporate Income Tax Cuts in China" (with Z. Chen, Z. Liu, D. Xu), VoxChina.org, Aug. 2017
11. "Regional tax harmonisation may lead to gains in aggregate output" (with P. Fajgelbaum, E. Morales, and O. Zidar) VoxEU, Jan. 2016
12. "Do Not Abolish the Corporate Tax" (with O. Zidar) The Washington Post Wonkblog, Jan. 2014
13. "How Changing Government Spending Affects Inequality," SIEPR Policy Brief, Sept. 2013
14. "Forecasting Mexican Inflation: the Effects of an Inflation Targeting Regime," Georgetown University Carroll Round 2006
15. "Juanita's Money Order: Income Effects on Human Capital Investment in Mexico," (with Z. Avellaneda) Fundacion IDEA Working Paper 2006

Teaching

2016,18,19	Public Finance (Graduate), Duke University
2014,15	New Developments in Local Public Finance (Graduate), Duke University
2014,18,19	Public Finance (Undergraduate), Duke University
2014	Public Finance (Undergraduate), Stanford University
2013	New Developments in Local Public Finance (Graduate), El Colegio de México
2013	Economic Policy Analysis (Undergraduate and Masters), Stanford University
2008-2011	Head Graduate Student Instructor, Department of Economics, UC Berkeley
2008	Teaching Assistant, (Graduate) Macro, AEA Summer Program, UC Santa Barbara
2007	Reader, (Undergraduate) Contract Theory, UC Berkeley (2007)

Presentations

2022: UBC; CESifo Conference on Public Economics (Keynote Address)

2021: AEA; U. of Michigan; American U.; Northwestern U.; UC Berkeley (Real Estate); MSU;

Helsinki GSE; Stanford JAMS; NBER China; NBER Public Economics; White House Council of Economic Advisors; Paris School of Economics; Harvard; Maastricht U.; U. of Chicago; National Bank of Belgium; Mannheim Conference on Energy and the Environment; Cowles Foundation at Yale U.; UCSD; Richmond Fed; Barcelona GSE Summer Forum; IIPF; Bank of Canada-Tsinghua PBCSF-University of Toronto Conference on the Chinese Economy; Yale U.; CREST; UC Berkeley (Real Estate); Online PF Seminar; Rutgers U.; U. of Zurich; World Bank Tax Conference; Northwestern U.; Stanford GSB; MIT

2020: Duke Law; UBC Law; Norwegian School of Economics; University of Munich; NBER Tax Policy and the Economy; Texas A&M-ASHE Predoc Conference (Keynote Address); Johns Hopkins U.; Loyola Tax Symposium; Syracuse U.; Oxford University; UCSC

2019: AEA; Carnegie Mellon; Brown; Stanford (Econ & Hoover); UC Berkeley (Public); Urban Economics Zoom Seminar; U. of Notre Dame in London Conference on International Tax; U. of Stockholm; U. of Oslo; UCSB; Michigan-Columbia-World Bank VAT Conference; LSE and UCL; Chicago Fed; U. of Utah UTAXI Conference; University of Munich; Oxford U. Business Taxation Conference; ZEW Summer Workshop (Keynote Address); U. of Notre Dame; US Treasury; George Washington U.; World Bank; Regional Economics Workshop at Richmond Fed; NY Fed

2018: AEA; Trinity U.; Yale U.; Brookings Institution; U. of Copenhagen; UCSD Bunching Conference; Michigan U.; Columbia U.; Washington U. (Olin); U. of British Columbia; UC Davis; UNC State Tax Conference; HBS; ITAM; CESifo Venice Summer Institute; Municipal Finance Conference (Brookings); UNC; Federal Reserve Board; UC Berkeley (Labor); ITPF; NBER Business Taxation Conference; NBER Public Economics; National Tax Ass.; Zurich Conference on Public Finance in Developing Countries

2017: AEA; NBER China Meeting; Quebec Conference on Political Economy; NBER State Tax Business Conference; CEPR Public Economics Meeting at Mannheim U.; Penn Wharton China Center; NBER-CCER at Peking University; Oxford U. Business Taxation Conference; SITE Conference at Stanford U.; IIPF Tokyo; MIT; National Tax Ass.; OSU

2016: AEA; Wake Forest U; UC Boulder; Duke U., Fuqua; FRB Philadelphia; U. of Chicago, Booth; U. of Melbourne; HEC Montreal; Stanford U., SIEPR; ZEW, Mannheim; National Tax Ass.; Duke U., Economics; NBER Development; NBER Entrepreneurship; National Tax Ass.

2015: AEA; Spatial Equilibrium Conference at Duke U.; U. Carlos III, Madrid; U. of Barcelona; Hebrew U., Jerusalem; Ben-Gurion U.; Tel-Aviv U.; WEAI; Duke U.; Society for Advancement of Economic Theory; UC Berkeley, Haas; Arizona State U.; ZEW, Mannheim; UNC; NBER PETSI; National Tax Ass.; Cornell U.; El Colegio de Mexico

2014: UCSC; Texas A&M; Yale U.; UC Irvine; SITE Conference at Stanford U.; NBER SI: Macro, Public, Urban; National Tax Ass.; Urban Econ Ass.; U. of Chicago, Booth; U. of Michigan

2013: AEA; Stanford U.; Diversity Initiative for Tenure in Economics at Duke U.; Columbia U. Tax Policy Workshop; Stanford U., SIEPR; Duke U.; Trinity U.; Econometric Society, Latin America; National Tax Ass.; U. of Illinois, Chicago

2012: U. Wisconsin, Madison; Northwestern U.; U. of Illinois, Urbana Champagne; Wharton School, Real Estate; Columbia U.; Duke U.; Brown; UCLA; Stanford U., SIEPR; U. of Chicago, Harris; U. of Texas, Austin; Bank of Mexico; UCSD; WEAI; Pomona College; National Tax Ass.

2011: AEA Pipeline Conference at FSU; All California Labor Conference at RAND; Doshisha-Beijing Workshop, Beijing U., China; FRB of San Francisco; NBER SI: PETSI; UC Berkeley, Public Finance; UC Berkeley, Public Finance Lunch

2010: AEA Pipeline Conference at UCSB; UC Berkeley, Public Finance Lunch

2009: AEA Pipeline Conference at UCSB; All California Labor Conference at UC Riverside; Economic Science Ass., Tucson; El Colegio de Mexico; UC Berkeley, Psychology and Economics Non-Lunch; UC Berkeley, GSPP; Summer School in Economic Theory at Hebrew U., Jerusalem

2008: AEA Pipeline Conference at UCSB; UC Berkeley, GSPP; UC Berkeley, Labor Lunch; UC Irvine, Center for the Study of Democracy

2006-7: AEA; UC Berkeley, Institute of Industrial Relations, AEA Pipeline Conf. at Duke; Carroll Round at Georgetown; FRB of Boston; Midwest Econ Ass.

Fellowships, Grants, and Awards

Citibanamex Prize (2nd place, with A. Brockmeyer, A. Estefan, and K. Ramírez)	2021
IIPF Peggy and Richard Musgrave Prize (with D. Garrett and E. Orhn)	2021
American Economic Review: Insights, Excellence in Refereeing Award	2020
Washington Center for Equitable Growth (Co-PI with E. Orhn and E. M. Curtis)	2019
Russel Sage Foundation (Co-PI with E. Orhn and E. M. Curtis)	2019
National Science Foundation Grant #17300024 (Co-PI with D. Xu)	2017
International Tax Policy Forum Research Grant	2017
Kauffman Junior Faculty Fellowship	2015

Graduate School

Burch Center Continuing Student Fellowship; American Society of Hispanic Economists Summer Fellowship; Kauffman Dissertation Fellowship; IBER Dissertation Research Award (with P. Wingender); UC Berkeley Dean's Normative Time Fellowship; NSF IGERT Fellowship; UC Berkeley Experimental Social Science Lab Research Grant; UC Berkeley Economics Department Fellowship; NSF/UC Diversity Initiative for Graduate Study Mentorship; CONACYT and UC MEXUS Graduate Fellowshi; SEP Research Excellence Fellowship; UC Berkeley Economics Department Fellowship; UC Berkeley International House Fellowship

Undergraduate

The Phi Beta Kappa Society (Epsilon of Texas Chapter); Honorable Mention, NSF Graduate Research Fellowship Program (2006 & 2007); Walter Adams Prize for Excellence in Economics

Professional Service

Diversity, Equity, and Inclusion

2021	NBER Selection Committee for Post-Doctoral Fellowship Focused on Diversity
2020	Texas A&M-American Society of Hispanic Economists Conference (Keynote speaker)
2020-	American Economic Association Mentorship Program (Mentor for minority scholars)
2019-	Diversity Initiative for Tenure in Economics (Mentor for minority scholars)
2019-	American Economic Association Task Force on Best Practices for Professional Conduct
2019-20	National Tax Association, Committee Tasked to Write Code of Professional Conduct
2018	UC Berkeley Graduate Student Summit for Diversity in Economics (Featured speaker)
2017-	Member of Diversity and Inclusion Committee, Duke U. Economics Department

Professional Organizations

2021	Editorial Search Committee for *Economic Inquiry* (Western Economic Association)
2020-	National Tax Association, Board of Directors

Conference Committees

2022	Scientific Co-Chair for the International Institute of Public Finance (IIPF) Congress
2021	NBER Conference on Business Taxation in a Federal System, Fall 2021 (with Josh Rauh)
2021	NBER PE Program Meeting, Fall 2021 (with Hunt Allcott)
2021	American Economic Association Annual Meetings
2019	National Tax Association Annual Meetings
2019	Urban Economics Association
2018	National Tax Association Annual Meetings
2016	Duke ERID Jamboree
2015	National Tax Association Annual Meetings
2015	Duke ERID: Advances and Applications of Spatial Equilibrium Conference
2013	Latin American and Caribbean Economic Association

Referee Service

AEJ: Applied Economics, AEJ: Economic Policy, AEJ: Macroeconomics, American Economic Review, American Economic Review: Insights, American Journal of Health Economics, China Economic Review, Economic Journal, Econometrica, Economics Letters, European Economic Review, Experimental Economics, Industrial Relations, International Economic Review, International Journal of Industrial Organization, International Review of Economic Science and Commerce, International Tax and Public Finance, Journal of Economic Policy Reform, Journal of the European Economic Association, Journal of Human Resources, Journal of Policy Analysis and Management, Journal of Political Economy, Journal of Public Economics, Journal of Regional Science, Journal of Urban Economics, Management Science, National Science Foundation, National Tax Journal, Quantitative Economics, Quarterly Journal of Economics, Regional Science and Urban Economics, Review of Economic Dynamics, Review of Economics and Statistics, Review of Economic Studies, Review of Financial Studies, Washington Center for Equitable Growth, World Bank Economic Review

Other Information

Citizenships: Mexico and United States

Budget Estimate

As described in the project description, the main use of the grant funds will be to hire a research assistant to advance the analysis of the data. The research assistant has already obtained clearance from the IRS as well as a special laptop to access the data. The funds we request for this purpose will pay for his work during the summer of 2022 and for part of the academic year. Consistent with the grant guidelines, we will arrange things to avoid paying indirect costs. We also plan to use some of the funds for a co-author visit to advance the writing of the paper. For completeness, we include an estimate of how we would use the grant funds below:

Concept	**Amount**
Research Assistant	$14,000
Travel costs	$1,000
Total	$15,000