

[CLS]Dodging the taxman: firm misreporting and limits to tax enforcement Reducing tax evasion is a priority for many governments. A growing literature argues that verifying taxpayer reports against third-party information is critical for tax collection. However, effectiveness can be limited when tax authorities face constraints to credible enforcement and taxpayers make offsetting adjustments on other margins. We exploit a policy intervention in which Ecuadorian firms were notified about detected revenue discrepancies. Most firms simply failed to respond. Firms that responded increased reported revenue, matching the discrepancy amount when provided. However, they also increased reported costs by 96 cents per dollar of revenue adjustment, resulting in minor increases in tax collection. [SEP]