Tax Evasion and Productivity

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Corporate tax evasion through cost overreporting spreads internationally causing governments significant tax revenue losses. Detecting and measuring the magnitude of tax evasion remains a challenge, even for the few studies on overreporting where researchers can exploit administrative data. Moreover, if this evasion strategy accounts for economic losses as large as reported, then cost overreporting might bias estimates of production functions, especially productivity. This paper addresses both issues. I first provide a novel strategy to estimate cost overreporting using commonly available firm-level data. I then formally show that ignoring cost overreporting leads to downward biased productivity estimates. Finally, I demonstrate how to recover productivity in the presence of tax evasion.

Updates

- Tax Evasion and Productivity: Using PF to identify tax evasion through input overreporting
  - CD
    - Preliminary results of Tax Evasion: Moments, MLE (Truncated Normal and LogNormal)
    - **New** Identification of PF parameters when h is polynomial
    - Preliminary results of PF parameters
    - **New** Productivity results
  - TransLog
    - Identification strategy for tax evasion
- Leveraging Tax Policy change to identify changes in tax evasion
  - Why? Relax common technology assumption
  - Triple difference identification strategy (with CD)