

The allocation of distribution tax has persistently sparked heated and serious arguments in recent years. All previous studies focus on solving the short-run fiscal difficulties of local governments, and neglect the long-run effects of the allocation of distribution tax on fiscal burdens of local future generations. By extending the generational accounting approach (Auerbach, Gokhale, and Kotlikoff, 1991, 1994), this study assess the effects of the allocation of distribution tax on intergenerational fiscal burdens in Taipei city, Kaohsiung city, and all counties (cities) of Taiwan as a whole. Base case analyses reveal that the intergenerational fiscal burdens are imbalanced in all districts and the inter-district gaps of intergenerational imbalances are large. This might spark more serious arguments in the future. Findings of simulations indicate that the allocation of distribution tax has remarkable effects on the intergenerational fiscal burdens. Based on the viewpoint of intergenerational fiscal burdens, for contracting the inter-district gaps of intergenerational imbalances and hence preventing future arguments, the allocation rate for all counties (cities) should be increased. It seems that to exploit revenues and reduce expenditures in all governments is the best way for preventing arguments on the allocation of distribution tax.