This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Empirical Foundations of Household Taxation

Volume Author/Editor: Martin Feldstein and James Poterba, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-24097-5

Volume URL: http://www.nber.org/books/feld96-1

Conference Date: January 20-21, 1996

Publication Date: January 1996

Chapter Title: Front matter, table of contents, acknowledgments

Chapter Author: Martin Feldstein, James M. Poterba

Chapter URL: http://www.nber.org/chapters/c6233

Chapter pages in book: (p. -11 - 0)



National Bureau of Economic Research Empirical Foundations of Household Taxation

Edited by Martin Feldstein and James M. Poterba This Page Intentionally Left Blank

# Empirical Foundations of Household Taxation



A National Bureau of Economic Research Project Report

# Empirical Foundations of Household Taxation

Edited by

Martin Feldstein and James M. Poterba



The University of Chicago Press

Chicago and London

MARTIN FELDSTEIN is president of the National Bureau of Economic Research and the George F. Baker Professor of Economics at Harvard University. JAMES M. POTERBA is director of the Public Economics Research Program at the National Bureau of Economic Research and professor of economics at the Massachusetts Institute of Technology.

The University of Chicago Press, Chicago 60637 The University of Chicago Press, Ltd., London © 1996 by the National Bureau of Economic Research All rights reserved. Published 1996 Printed in the United States of America 05 04 03 02 01 00 99 98 97 96 1 2 3 4 5 ISBN: 0-226-24097-5 (cloth)

Library of Congress Cataloging-in-Publication Data

Empirical foundations of household taxation / edited by Martin Feldstein and James M. Poterba.

p. cm.—(National Bureau of Economic Research project report) Includes bibliographical references and index.

 1. Taxation—United States—Statistics.
 2. Households—Economic aspects—United States—Statistics.
 3. Tax incentives—United States—Statistics.

 States—Statistics.
 4. Income tax—United States—Statistics.
 5. Labor supply—Effect of taxation on—United States—Statistics.
 6. Taxation—Law and legislation—United States.
 I. Feldstein, Martin S.

 II. Poterba, James M.
 III. Series.
 HJ2381.E49
 1996

 336.2'00973—dc20
 95-53960

95-53960 CIP

The paper used in this publication meets the minimum requirements of the American National Standard for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1984.

### National Bureau of Economic Research

#### Officers

Paul W. McCracken, chairman John H. Biggs, vice-chairman Martin Feldstein, president and chief executive officer Gerald A. Polansky, treasurer

**Directors at Large** 

Peter C. Aldrich Elizabeth E. Bailey John H. Biggs Andrew Brimmer Carl E Christ Don R. Conlan Kathleen B. Cooper Jean A. Crockett

George C. Eads Martin Feldstein George Hatsopoulos Karen N. Horn Lawrence R. Klein Leo Melamed Merton H. Miller Michael H. Moskow

Sam Parker, director of finance and corporate secretary Susan Colligan, assistant corporate secretary Deborah Mankiw, assistant corporate secretary

Robert T. Parry

Bert Seidman

Peter G. Peterson Richard N. Rosett

Kathleen P. Utgoff

Donald S. Wasserman

er	Marina v. N. Whitman	
kow	John O. Wilson	
Joel Mokyr,	Northwestern	
Andrew Pos	stlewaite, Pennsylvania	
Nathan Ros	enberg, Stanford	
Harold T. Sl	napiro, Princeton	
Craig Swan	, Minnesota	
David B. Yo	offie, Harvard	

Arnold Zellner, Chicago

### **Directors by University Appointment**

George Akerlof, California, Berkeley Jagdish Bhagwati, Columbia William C. Brainard, Yale Glen G. Cain, Wisconsin Franklin Fisher, Massachusetts Institute of Technology Saul H. Hymans, Michigan Marjorie B. McElroy, Duke

**Directors by Appointment of Other Organizations** 

Marcel Bover, Canadian Economics Robert S. Hamada, American Finance Association Association Mark Drabenstott, American Agricultural Economics Association Association William C. Dunkelberg, National Association of Business Economists Organizations Richard A. Easterlin, Economic History Association Gail D. Fosler. The Conference Board A. Ronald Gallant, American Statistical Association Development

### Charles Lave, American Economic Rudolph A. Oswald, American Federation of Labor and Congress of Industrial Gerald A. Polansky, American Institute of Certified Public Accountants Josh S. Weston, Committee for Economic

### **Directors Emeriti**

Moses Abramovitz George T. Conklin, Jr. Thomas D. Flynn

Franklin A. Lindsay Paul W. McCracken Geoffrey H. Moore James J. O'Leary

George B. Roberts Eli Shapiro William S. Vickrey

#### Relation of the Directors to the Work and Publications of the National Bureau of Economic Research

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.

2. The President of the National Bureau shall submit to the Board of Directors, or to its Executive Committee, for their formal adoption all specific proposals for research to be instituted.

3. No research report shall be published by the National Bureau until the President has sent each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the principles of the National Bureau. Such notification will include an abstract or summary of the manuscript's content and a response form for use by those Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied, the character of the data and their utilization in the report, and the main conclusions reached.

4. For each manuscript so submitted, a special committee of the Directors (including Directors Emeriti) shall be appointed by majority agreement of the President and Vice Presidents (or by the Executive Committee in case of inability to decide on the part of the President and Vice Presidents), consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when notice of the proposed publication is submitted to him. It shall be the duty of each member of the special manuscript committee signifies his approval within thirty days of the transmittal of the manuscript, the report may be published. If at the end of that period any member of the Board, requesting approval or disapproval of publication, and thirty days additional shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board who shall have voted on the proposal within the time fixed for the receipt of votes shall have approved.

5. No manuscript may be published, though approved by each member of the special manuscript committee, until forty-five days have elapsed from the transmittal of the report in manuscript form. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general or the special committee have passed on its validity in every detail.

6. Publications of the National Bureau issued for informational purposes concerning the work of the Bureau and its staff, or issued to inform the public of activities of Bureau staff, and volumes issued as a result of various conferences involving the National Bureau shall contain a specific disclaimer noting that such publication has not passed through the normal review procedures required in this resolution. The Executive Committee of the Board is charged with review of all such publications from time to time to ensure that they do not take on the character of formal research reports of the National Bureau, requiring formal Board approval.

7. Unless otherwise determined by the Board or exempted by the terms of paragraph 6, a copy of this resolution shall be printed in each National Bureau publication.

(Resolution adopted October 25, 1926, as revised through September 30, 1974)

## Contents

	Acknowledgments	ix
	Introduction	1
	Martin Feldstein and James M. Poterba	
1.	Labor Supply and the Economic Recovery Tax	
	Act of 1981	5
	Nada Eissa	
	Comment: James J. Heckman	
2.	The Taxation of Two-Earner Families	39
	Martin Feldstein and Daniel R. Feenberg	
	Comment: Harvey S. Rosen	
3.	Labor Supply and Welfare Effects of a Shift	
	from Income to Consumption Taxation	77
	Gilbert E. Metcalf	
	Comment: Gary Burtless	
4.	The Distributional Effects of the Tax	
	Treatment of Child Care Expenses	99
	William M. Gentry and Alison P. Hagy	
	Comment: Brigitte C. Madrian	
5.	Tax Subsidies to Employer-Provided	
	Health Insurance	135
	Jonathan Gruber and James M. Poterba	
	Comment: David F. Bradford	

6.	High-Income Families and the Tax Changes of the 1980s: The Anatomy of Behavioral		
	Response	169	
	Joel Slemrod		
	Comment: Don Fullerton		
7.	Tax Shelters and Passive Losses after the Tax		
	Reform Act of 1986	193	
	Andrew A. Samwick		
	Comment: Roger H. Gordon		
8.	The Relationship between State and Federal	235	
	Tax Audits	255	
	James Alm, Brian Erard, and Jonathan S. Feinstein <i>Comment:</i> James W. Wetzler		
	Contributors	279	
	Author Index	281	
	Subject Index	285	

### Acknowledgments

This volume is part of a multiyear research program on Behavioral Responses to Taxation that is being conducted under the auspices of the National Bureau of Economic Research (NBER). This project draws together researchers with a wide range of interests in tax policy issues. The development and maintenance of the NBER TAXSIM program, a detailed computer algorithm for computing household tax liabilities under actual and various alternative tax regimes, is one of the centerpieces of this research project. Many of the research studies in this volume involve calculations with the TAXSIM program. We are grateful to the Lynde and Harry Bradley Foundation, the Starr Foundation, the John M. Olin Foundation, and the Dean Witter Foundation for financial support of this research.

We are grateful to many members of the NBER staff for their assistance with the planning and execution of this research, and of the research meetings and the January 1995 conference at which the findings in this volume were presented. The NBER Conference Department, under the direction of Kirsten Davis, provided its usual, outstanding level of logistical support for the meeting at which these papers were presented. We are particularly grateful to Lauren Lariviere, who served as conference coordinator, for assistance with this project. Deborah Kiernan and Mark Fitz-Patrick of the NBER Publications Department have carefully guided the manuscript through various stages of the editorial process, and we are grateful for their assistance at every stage. This Page Intentionally Left Blank