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# Canada-U.S. Tax Comparisons

Edited by  
**John B. Shoven and  
John Whalley**

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# Canada-U.S. Tax Comparisons



A National Bureau  
of Economic Research  
Project Report

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# Canada-U.S. Tax Comparisons

Edited by

John B. Shoven  
and John Whalley



The University of Chicago Press

*Chicago and London*

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

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## Preface

This volume contains eleven papers which together explore and compare both features of and experiences with tax policy in the United States and Canada. The papers are the result of a project on comparative U.S.-Canada tax policy executed as part of the program on U.S.-Canada comparative social policy of the William H. Donner Foundation, New York.

The project involved six prominent public finance scholars from each side of the border, along with two more senior scholars. The objective was to explore jointly the similarities and differences in tax structures, the reasons for any differences identified, the contrasting experiences with tax reform (especially in the 1980s), and whether the tax systems are converging or diverging, and why. The papers have been commissioned with these objectives in mind and are reproduced here along with the commentaries of the two senior scholars (one paper, by John Whalley, formed the basis for part of the introduction and so is not published separately here).

What emerges is a picture of both similarity and differences. Corporate tax structures, following the reforms of the 1980s, are similar across the border, and income taxes have many similarities (but with differences). But Canada has a national sales tax, while the United States does not; the United States has sharply higher social security taxes; Canada has much more revenue sharing and, generally, a more decentralized federal structure. And while there are similarities in the tax reforms both countries entered into in the 1980s, both the extent of policy convergence in the area, and the degree to which tax changes in the United States automatically trigger similar changes in Canada, remain topics of debate. The reader will see alternative points of view in the papers, reflecting the fluid state of debate in this field.

We would like to thank the William H. Donner Foundation for supporting this project under its comparative social policy program and the Alfred P. Sloan Foundation for providing financial support for the project. The Ford

Foundation also contributed support. We are especially grateful to William T. Alpert of the William H. Donner Foundation for his help and encouragement in seeing the project through, and to James Capua of the William H. Donner Foundation and Art Singer of the Alfred P. Sloan Foundation for further encouragement. At the National Bureau of Economic Research, Robert Allison and Geoffrey Carliner have provided strong support, and Ann Brown has done an outstanding job in seeing the volume through to publication. At Stanford, Rosannah Reeves has provided sterling support, while at Western Ontario, Leigh MacDonald provided initial support with Connie Nevill seeing the project through in its final stages. To all we are grateful.

*John B. Shoven and John Whalley*