



What Drives Tax Policy?

Political, Institutional and Economic Determinants of
State Tax Policy in the Past 40 Years

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Question, Methodology and Findings

- What explains US state tax policy heterogeneity?
 1. Compile stylized facts about state tax policy
 2. Study co-movement: economic, political, institutional factors
 - State tax policy is very heterogeneous and highly persistent
 - Tax rate level variation much easier to explain than changes

1. Comment: Taxes and Incidence

- Current focus is on tax rates: small versus large government
- Another dimension of state tax choices: who pays?
Same tax rates have distinct incidence if tax bases differ
- Construct measure for changes of state tax policy incidence and investigate co-movement with 3 factors

2. Comment: Federal Mandates

- Changes in mandated spending do not explain tax rate changes
→ Either small budget effects or cut back other spending
- Study associated changes in non-mandated spending
- Check robustness of UMRA thresholds using state TANF and Medicaid program data on spending changes



Great paper!

Impressive collection of facts on state tax policy

Novel and interesting results

I enjoyed reading it and learned a lot