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Commitment to pay taxes: Results from field and laboratory experiments



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ABSTRACT

A tax authority's ability to successfully collect taxes depends on its relationship with the taxpayers as well as their commitment to contribute to the common good. In this paper, we examine the effect of promises on tax compliance aimed at fostering taxpayer commitment. First, in a field experiment, we investigate whether tax compliance changes when taxpayers make a formal promise to pay their taxes on time with compliance rewarded by entry into a lottery for either a financial or nonfinancial (in-kind) reward. We then complement this analysis with a laboratory experiment in which we measure the effect of promises in the different compliance domain of tax honesty and contrast the effect of a pure promise to pay with schemes that pair the promise with a reward offer. We find that taxpayers with a history of compliance or high scores on tax morale are more likely to make the promise, but solely offering the possibility to make a promise does not lead to a change in compliance behavior. Whether or not compliance improves depends on the type of reward to which the promise is linked. In our experimental analyses, for example, compliance only increases if the reward for promise fulfillment is nonfinancial.

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