**Week 3 Problem Set: State and local tax policy**

**Overview**

This problem set will comprise of three components: (1) an analysis of selection (which places have high taxes, low taxes, and changing taxes), (2) an analysis of the effects on economic activity, and (3) an analysis of the revenue maximizing tax rates. *Optional: you can focus on an event study analysis of the pass-through tax elimination in Kansas if you’d like or other significant state tax changes.*

**Data**

There are datasets of state tax policy on blackboard.

**Selection**

What are the political and economic characteristics of places that have low taxes, high taxes, and tax changes? How might these selection issues affect causal inference about the effects taxes and tax changes?

**Effects**

How do economic outcomes evolve before and after tax changes? What are the effects on house prices?

**Welfare**

How do these results inform your estimates of the location’s revenue maximizing tax rate?

**Relevant Literature:**

Suárez Serrato, Juan Carlos, and Owen Zidar, “Who Benefits from State Corporate Tax Cuts? A Local Labor Market Approach with Heterogeneous Firms” American Economic Review**,** 106(9): 2582-2624, September 2016.

<https://www.aeaweb.org/articles?id=10.1257/aer.20141702>

Moretti, Enrico, and Dan Wilson (2019), “Taxing Billionaires: Estate taxes and the geographic location of the ultra wealthy” <https://eml.berkeley.edu//~moretti/billionaires.pdf>