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FRASER INSTITUTE

Jason Clemens, Niels Veldhuis et Robert P. Murphy, *Tax Payers and Tax Takers: Is the Trend of Tax Progressivity in the US Emerging in Canada?*, 19 mars 2013, 64 pages.

<http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/tax-payers-and-tax-takers.pdf>

La progressivité du système fiscal canadien est mise en péril par le nombre de plus en plus élevé de contribuables qui ne paient aucun impôt, ce qui a des conséquences sur la démocratie.

● The traditional definition of tax progressivity is being rewritten and this change could have serious ramifications for democratic decision-making. Up to now, tax progressivity has meant that, as an individual or household earned more income, they not only paid more in taxes but also paid a proportionately higher share of their income in taxes. The concept of tax progressivity is being fundamentally altered by government's expansion of eligibility for tax credits that were initially targeted at low-income earners. The result is that rather than a progressively increasing tax burden, there is a fairly large and growing group of people who do not contribute to taxes in any meaningful way and another group of people, fairly small, that carry the overwhelming burden of taxes. The new tax progressivity is not yet as pronounced in Canada as it is in the United States, but it has gained an entrance and there is a possibility of its expanding rapidly. If the benefits of tax credits like Canada's Working Income Tax Benefit (WITB) and the United States' Earned Income Tax Credit (EITC), continue to increase and their application expands to an even wider group of citizens, this program, coupled with others like Canada's Child Tax Credit (CTC), may very well lead to a tax distribution similar to that observed in the United States today, where a growing number of households pay little or no income taxes. Such a change in the distribution of taxes, creating a large percentage of earners and tax-filers with no income-tax liability, will then bring consequences similar to those in the United States today where large and persistent deficits are common and decisions on the cost of government are deferred to the future. The only way to encourage Canadians to consider the economic costs and benefits of government programs is to ensure that most Canadians, not just a few, are responsible for paying the price of government. The key to avoiding such a situation is restraint in applying what should be narrowly targeted tax programs like the WITB so Canada can enjoy the benefits of these programs without incurring the political cost the United States has incurred by aggressively expanding them.

C.D. HOWE INSTITUTE

Colin Busby et William B.P. Robson, *Canada's 2012 Fiscal Accountability Rankings*, Commentary No. 373, 21 février 2013, 24 pages.

http://www.cdhowe.org/pdf/Commentary_373.pdf

Les gouvernements fédéral et provinciaux devraient faire plus d'efforts afin de publier des informations financières claires et fiables.

- Canada's governments have regularly missed budget spending and revenue targets during the last decade. Taken together, the spending overruns of federal, provincial and territorial governments have surpassed \$53 billion in the last 10 years. If budget targets were met more accurately, current debt loads, tax burdens and deficits would be lower and more manageable. There is considerable variation in the financial reporting of Canadian governments. Some jurisdictions present budget and public accounts figures clearly, making the results in both documents easily comparable. Further, some governments table their public accounts in a timely way, with clean audits and updates on changes to budget plans during the fiscal year. Others, however, do not. The federal government and the governments of Ontario and New Brunswick are leading the way in presenting clear public accounts documents and making an effort to compare and explain deviations from budgeted and year-end revenue and spending figures. At the other end of the scale are the governments of Quebec, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and the Northwest Territory and Nunavut, which do not present straightforward and comparable figures in their budgets or public accounts. This fifth annual study of governments' fiscal accountability measures each jurisdiction's 10-year fiscal record for bias (the average difference between budget projections and actual results) and accuracy (over-shoots and under-shoots of budget targets). The results for spending show Ottawa having the best (lowest) bias score with Newfoundland and Labrador, Ontario and Nova Scotia not far behind. On accuracy, Quebec, New Brunswick, Ontario and Nova Scotia show respectable scores. Resource-dependent jurisdictions, such as Saskatchewan and Alberta, have poor bias and accuracy scores, making them more likely to miss budgeted spending promises than other jurisdictions. The past decade's cumulative revenue and spending overshoots, and the emerging understanding that a lack of fiscal transparency undermines good management of public money, should inspire Canadian senior governments to improve their financial reporting and their adherence to targets – and for legislators and voters to hold them more closely to account.

Alexandre Laurin, William B.P. Robson, *Prudence and Opportunity: A Shadow Federal Budget for 2013*, Commentary No. 375, 21 février 2013, 32 pages.

http://www.cdhowe.org/pdf/Commentary_375.pdf

Atteindre un surplus budgétaire un an plus tôt que prévu serait bénéfique aux contribuables et aux finances provinciales.

- Canadians can be proud of their country's relatively strong recovery from the 2009 slump, but should not be complacent. Canada's fiscal situation is strong only by comparison with the dire situations in other major advanced countries. Our national saving rate is too low to support needed investments. And economic and fiscal risks abroad cloud the outlook. The C.D. Howe Institute's 2013 Shadow Budget protects Canada in the near term by accelerating the federal government's planned return to budget surpluses, and in the longer term with reforms to boost economic growth. This Shadow Budget builds on the economic and fiscal outlook in the 2012 Fall Update by scheduling an end to budget deficits by fiscal year 2014/15. The key focus of the plan is further control of government spending. It proposes to reduce the number of federal employees from planned levels, and limit mounting compensation costs per employee by raising employee contributions to pension and other under-funded benefits. It would also trim net subsidies to Crown corporations and "tax expenditures" – programs delivered through the tax system. The Shadow Budget also proposes reforms that have low or zero net costs that will boost Canada's economic dynamism. Among them is a revenue-neutral one-percentage point shift from personal-income to consumption taxation, which will promote income growth and help provincial finances. It also proposes reforms to Equalization and Employment Insurance that will make these programs more supportive of regional development. Other growth promoting measures will liberate trade and investment, level the retirement playing field, and reduce the role of tax considerations in businesses' inter-provincial and international investment decisions. By building on Canada's recent relative success, this Shadow Budget will protect Canadians from the risks of excessive government borrowing, and promote the private prosperity and public programs that ensure Canadians' economic future.

CANADIAN CENTRE FOR POLICY ALTERNATIVES

Marc Lee et Iglia Ivanova, *Fairness by Design – A Framework for Tax Reform in Canada*, 13 février 2013, 44 pages.

http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2013/02/Fairness_By_Design_A_Framework_For_Tax_Reform_In_Canada_0.pdf

Le régime fiscal canadien devrait être réformé pour redevenir plus progressif.

- This study finds that ad-hoc tax changes over the last two decades have seriously weakened the redistributive role of Canada's tax system at a time when market inequalities call for more, not less, redistribution. The authors present a framework for a progressive tax reform strategy and recommend the establishment of a Fair Tax Commission to examine how federal taxes and transfers work together as a system and make recommendations for changes.

FINANCES QUÉBEC

Québec, ministère des Finances, *Dépenses Fiscales – Édition 2012*, mars 2013, 382 pages.

http://www.finances.gouv.qc.ca/documents/autres/fr/AUTFR_DepensesFiscales2012.pdf

Sommaire des dépenses fiscales du régime québécois de 2007 à 2012.

- Le régime fiscal a pour principal objectif de générer un niveau de revenus adéquat, permettant au gouvernement de financer ses activités. Il a également d'autres fins : le gouvernement l'utilise pour poursuivre certains objectifs stratégiques sur les plans économiques, sociaux, culturels ou autres. Par exemple, il permet de soutenir le développement économique, d'encourager l'épargne en vue de la retraite, de protéger les ménages à faible revenu ou d'aider financièrement les familles. Au fil des ans, le gouvernement a ainsi introduit dans le régime fiscal plusieurs mesures, couramment appelées « dépenses fiscales », qui ont pour but d'accorder des allègements fiscaux à des groupes déterminés de particuliers ou d'entreprises ou à l'égard de certaines activités. Les dépenses fiscales ont notamment pour effet de réduire ou de différer les impôts et taxes autrement payables par les contribuables. Elles peuvent prendre plusieurs formes, par exemple celles de revenus non assujettis à l'impôt, d'exemptions de taxe, de remboursements de taxe, de déductions dans le calcul du revenu imposable, de crédits d'impôt ou de reports d'impôt. Le présent document vise à faire le point sur les dépenses fiscales du régime québécois. Il présente la description des dépenses fiscales pour huit champs fiscaux ainsi que le coût de chacune d'elles pour le gouvernement pour les années 2007 à 2012.



ÉTATS-UNIS

NATIONAL TAX JOURNAL

Li Liu et Rosanne Altshuler, « Measuring the Burden of the Corporate Income Tax Under Imperfect Competition », 66 *National Tax Journal* 215-37 (mars 2013), 23 pages.

<http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/785c5ab0cac6167985257b35007320ca?OpenDocument>

Les salaires sont réduits en fonction de l'augmentation de l'impôt des sociétés.

- We model and estimate the incidence of the corporate income tax under imperfect competition. Identification comes from variation in effective marginal tax rates in the United States across industries and time. Our empirical results suggest that labor bears a significant portion of the burden of the corporate income tax. In addition, we find that the elasticity of wages with respect to the corporate marginal effective tax rate increases with industry concentration. Over all industries, our estimates suggest that a \$1.00 increase in corporate tax revenue decreases wages by approximately \$0.60.

Kimberly A. Clausing, « Who Pays the Corporate Tax in a Global Economy? », 66 *National Tax Journal* 151-84 (mars 2013), 34 pages.

<http://ntj.tax.org/wwtax/ntjrec.nsf/009a9a91c225e83d852567ed006212d8/0102292b0ef57b0f85257b35007299b7?OpenDocument>

Le lien entre l'imposition des sociétés et les salaires n'est pas fondé.

- The theory of corporate tax incidence suggests that corporate taxes are more likely to harm labor in a globally integrated economy. However, a review of the prior empirical work in this area fails to reveal persuasive empirical evidence of adverse effects on labor, since these studies have several weaknesses that interfere with robust inferences. Using new data and methods, this paper provides additional evidence on the incidence of corporate taxation, finding no robust link between corporate taxation and wages. I discuss possible explanations for these findings as well as policy implications.

BROOKINGS INSTITUTION

The Hamilton Project, *15 Ways to Rethink the Federal Budget*, février 2013.

<http://www.brookings.edu/research/interactives/2013/federal-budget-hamilton>

15 articles, 15 propositions de réforme pour le budget fédéral américain.

- In the coming months, policymakers will be making important decisions on how to reduce the federal budget deficit. These decisions pose significant political and economic challenges, but also create a rare window of opportunity for policymakers to decide what kinds of programs and investments our country values, and what sort of society we will create for future generations.

To this end, The Hamilton Project asked leading experts from a variety of backgrounds — the policy world, academia, and the private sector, and from both sides of the political aisle — to develop policy proposals which could form a partial menu of options to achieve responsible deficit reduction. The mandate given to the authors was to describe pragmatic, evidenced-based proposals that would both reduce the deficit and also bring broader economic benefits. The resulting fifteen proposals are included in The Hamilton Project's 15 Ways to Rethink the Federal Budget. While not intended to cover every budget category, these papers take on a wide-ranging set of topics, including immigration, transportation, health care, defense spending, and tax expenditures, and include options to reduce mandatory and discretionary expenditures, raise revenues, and improve government efficiency.

Parmi ces 15 propositions, nous soulignons les suivantes:

Joseph E. Aldy, *Proposal 5: Eliminating Fossil Fuel Subsidies*, 26 février 2013, 8 pages.

http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_prop5

Éliminer les préférences fiscales accordées à l'industrie des énergies fossiles.

- The federal government has subsidized the production of fossil fuels through the tax code for a century. While such subsidies may have once supported incremental investment in what was a very risky economic activity—drilling that may not yield a productive hydrocarbon field—the advances in technology and the high prices for oil in recent years have significantly changed the risk–reward calculus for domestic hydrocarbon investment. Indeed, the impact of these tax preferences on investment decisions is dominated by factors driving world oil prices (e.g., Asian demand and political events in the Middle East) and by the technological improvements in drilling for shale gas and oil and tight oil. Today, the U.S. government effectively transfers by way of tax expenditures more than \$4 billion annually from taxpayers to fossil

fuel producers (primarily oil and gas firms) with very little to show for it. This proposal calls for eliminating twelve tax provisions that subsidize the production of fossil fuels in the United States. Implementing this proposal will contribute to a leveling of the playing field among oil and gas companies, since independent producers enjoy greater tax benefits than the oil majors, and will promote the efficiency in allocating capital across the U.S. economy. Since these subsidies have a very small impact on production, their removal will not materially increase retail fuel prices, reduce employment, or weaken U.S. energy security. This proposal complements other proposals to simplify the corporate tax code, and thus could facilitate the political support necessary to enact a simpler, more efficient corporate tax code. In addition, removing U.S. fossil fuel subsidies would enable the U.S. government to make the case more effectively that large developing countries (such as China, India, and energy exporters) should phase out their fossil fuel consumption subsidies that contribute to higher oil prices in the United States.

Karen Dynan, *Proposal 6: Better Ways to Promote Saving through the Tax System*, 26 février 2013, 9 pages.
http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop6.pdf

Modifier les règles fiscales pour encourager l'épargne chez les ménages à moyen et à faible revenu.

- In this policy proposal, the author examines the design of government incentives for personal savings, outlining how reforms to these programs would improve saving and economic security for low-income households and reduce expensive and ineffective federal subsidies for high-income households.
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Diane M. Lim, *Proposal 7: Limiting Individual Income Tax Expenditures*, 26 février 2013, 7 pages.
http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop7.pdf

Éliminer les préférences fiscales pour les particuliers et élargir l'assiette des revenus imposables.

- It is often said that base-broadening tax reform—that is, expanding the definition of taxable income—should be an important part of solutions to address the fiscal trilemma of reducing the deficit, promoting fairness, and encouraging economic growth. Such reform would be expected to garner bipartisan support, but getting policymakers to move from that vague sound bite to specific policy proposals, without the usual ideological bickering, is another story. In this paper I argue why an across-the-board reduction in broad classes of individual income tax preferences, rather than targeting certain tax expenditures within a comprehensive overhaul of the tax system, could be an easy step to ensure we achieve our nation's fiscal and economic goals, despite our seemingly dysfunctional political system. Indeed, if implemented correctly, base-broadening reform could raise tax revenues by more than \$1 trillion over the next decade.
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Alan D. Viard, *Proposal 8: Replacing the Home Mortgage Interest Deduction*, 26 février 2013, 9 pages.
http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop8.pdf

Remplacer la déduction des intérêts sur la résidence par un crédit d'impôt.

- The federal tax treatment of owner-occupied housing cries out for reform. Current tax policy offers unwarranted subsidies for the purchase of expensive homes by high-income taxpayers, but does little to promote homeownership by those of more modest means. To address these problems, I propose to replace the mortgage interest deduction with a 15 percent refundable credit and to reduce the size of the mortgages eligible for the credit while providing transition relief. Although this proposal is not ideal in every respect, it offers an effective way to scale back and better target the tax system's housing tax breaks while raising revenue in a progressive manner. Over ten years, such a proposal could increase revenues by approximately \$300 billion.
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Jack Basso et Tyler Duvall, *Proposal 9: Funding Transportation Infrastructure with User Fees*, 26 février 2013, 11 pages.

http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop9.pdf

Imposer des tarifs pour l'usage des routes.

■ Federal surface transportation programs are intended to improve the quality, utility, and productivity of the surface transportation system by enhancing the system's safety (e.g., achieving reduced vehicle crashes, including fatalities) and operating performance (e.g., reducing congestion, increasing freight throughput etc.); and by reducing the environmental impact of surface transportation. Although federal transportation spending is less than 2 percent of the overall federal budget, that spending—like spending in the rest of the budget—is currently on a collision course with reality. One approach that has achieved success in other countries is a direct road-pricing system where motorists pay fees directly to drive on certain roads (as opposed to paying taxes indirectly as they do today), potentially combined with some form of dedicated local taxes tied to specific transit projects. According to the U.S. Department of Transportation, an effective road-pricing system—once fully implemented— could generate between \$38 billion and \$55 billion annually in revenue while simultaneously reducing road congestion and reducing environmental impacts.

William G. Gale et Benjamin H. Harris, *Proposal 10: Creating an American Value-Added Tax*, 26 février 2013, 11 pages.

http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop10.pdf

Implanter une taxe fédérale sur la valeur ajoutée.

● We propose a value-added tax (VAT) to contribute to the U.S. fiscal solution. A 5 percent broad-based VAT, paired with subsidies to offset the regressive impacts, could raise about 1 percent of GDP, or about \$160 billion, per year. Although it would be new to the United States, the VAT is in place in about 150 countries worldwide and in every non-U.S. OECD country. In recent years, the VAT has raised about 20 percent of the world's tax revenue (Keen and Lockwood 2007). This experience suggests that the VAT can raise substantial revenue, is administrable, and is minimally harmful to economic growth. Additionally, the VAT has at least one other potential advantage worth highlighting: a properly designed VAT might help the states deal with their own fiscal issues. Although a VAT would be regressive relative to current income, this regressivity can be easily offset by transfers that would make the net burden progressive. A VAT should only be imposed after the economy has returned to full employment, as the depressing effects of increased taxation in a demand-driven economy would suppress the economic recovery.

Adele C. Morris, *Proposal 11: The Many Benefits of a Carbon Tax*, 26 février 2012, 11 pages.

http://www.brookings.edu/~media/research/files/papers/2013/02/thp%20budget%20papers/thp_15waysfedbudget_rop11.pdf

Imposer une taxe sur le carbone.

● This paper proposes introducing a modest carbon tax to finance reforms to the U.S. tax system to promote economic growth, reduce budget deficits, reduce redundant and inefficient regulation, reduce unnecessary subsidies, and reduce the costs associated with climate change. The revenues from the new levy could fund permanent reductions in more distortionary taxes on capital income while also contributing to deficit reduction. And by providing simple, transparent, but powerful market-based incentives to reduce damaging greenhouse gas (GHG) emissions, this levy could supersede the array of costly regulatory command-and-control approaches and expensive subsidies aimed at reducing dependence on fossil fuels and promoting clean energy. In addition to these benefits, of course, is a contribution to stemming the global buildup of GHGs and improving the United States' standing to foster the broader international action necessary to stabilize GHG concentrations and avoid catastrophic climate disruption. As this proposal shows, with a carbon tax these gains are possible with less-adverse, potentially even positive, consequences for economic activity, unlike other revenue raisers. Indeed, within twenty years a modest carbon tax can reduce annual emissions by 12 percent from baseline levels,

generate enough revenue to lower the corporate income tax rate by 7 percentage points, and decrease the deficit by \$815 billion, all while protecting the poorest households from undue burden.

TAX POLICY CENTER

Donald Marron et Eric Toder, *Carbon Taxes and Corporate Tax Reform*, 11 février 2013, 18 pages.
<http://www.urban.org/UploadedPDF/412744-Carbon-Taxes-and-Corporate-Tax-Reform.pdf>

Financer une réduction de l'impôt corporatif par une taxe sur le carbone?

- This paper examines the pros and cons of using a carbon tax to help finance corporate tax reform. Revenues from a plausible carbon tax would be large relative to corporate tax revenues and could thus help finance lower corporate tax rates, extension of business tax preferences, or other corporate tax reforms. Done well, such a tax swap could reduce the environmental risks of carbon emissions and improve the efficiency of America's corporate tax system. But a carbon-for-corporate tax swap poses a significant distributional challenge. A carbon tax would fall disproportionately on low-income families, while a reduction in corporate taxes would disproportionately benefit those with high incomes. Policymakers can offset some of those impacts through other policy measures, such as paying lump-sum tax rebates. But doing so would reduce the swap's efficiency benefits. Policymakers may also want to use some carbon revenues for deficit reduction. One option would be to aim for revenue neutrality over an initial period, after which a widening spread between growing carbon revenues and relatively stable corporate tax cuts would reduce the deficit.

Amanda Eng, Harvey Galper, Georgia Ivsin et Eric Toder, *Options to Reform the Deduction for Home Mortgage Interest*, 18 mars 2013, 9 pages.
<http://www.urban.org/UploadedPDF/412768-Options-to-Reform-the-MID.pdf>

Étude sur les effets du remplacement de la déduction pour intérêts hypothécaires par un crédit d'impôt.

- Taxpayers can currently deduct interest on up to \$1 million in acquisition debt used to buy, build, or improve their primary residence or a second designated residence. Taxpayers can also deduct interest on up to \$100,000 in home equity loans or other loans secured by their properties, regardless of the loans' purpose. This brief considers two proposals for restructuring the mortgage interest deduction. Both proposals repeal the current mortgage interest deduction and define eligible mortgage interest as interest incurred on up to \$500,000 of an eligible mortgage. The first proposal allows a non-refundable tax credit of 15 percent of eligible mortgage interest; the second allows a tax credit of 20 percent. We also estimate options that phase out the current mortgage interest deduction and phase in the new 15 or 20 percent credit over five years.

URBAN INSTITUTE

C. Eugene Steuerle, *Testimony Before the Committee on Ways and Means United States House of Representatives Hearing on Tax Reform and Charitable Contributions*, 14 février 2013, 9 pages.
<http://www.urban.org/UploadedPDF/901555-Tax-Reform-and-Charitable-Contributions.pdf>

Idées pour réformer les incitatifs fiscaux relatifs aux dons de bienfaisance.

- Gene Steuerle testifies before the Committee on Ways and Means on tax reform and charitable contributions. This testimony centers on the point that a tax subsidy like that for charitable contributions should be treated like any other program of government, examined regularly, and reformed to make it more effective. Moreover, the charitable deduction can be designed to strengthen the charitable sector at the same or even lower revenue cost. This is possible by taking the revenues that are spent with little effect on charitable giving and reallocating toward measures that would be more effective in encouraging giving.

Martin A. Hall et Carolyn M. Osteen, *The Charitable Contribution Deduction: Reform and Simplification - Areas for Reform: Split Interest and Partial Interest Gifts*, 28 février 2013, 68 pages.
<http://www.urban.org/UploadedPDF/412755-The-Charitable-Contribution-Deduction.pdf>

Dons de bienfaisance : analyse des problèmes reliés aux « dons partiels ».

- Split interest and partial interest gifts have been with us for over a century. Donors have had a long-standing interest in making gifts and reserving certain critical rights with respect to the property given. This paper discusses certain important aspects of the split interest and partial interest gift rules and the problems that have become evident in their application, focusing on areas that need reform through either statutory amendment or interpretive guidance. It is vital to lower the 5 percent minimum annual payout requirement for charitable remainder trusts and adapt Section 7520 rates to current investment realities.

INSTITUTE ON TAXATION AND ECONOMIC POLICY

Institute on Taxation and Economic Policy, *States with “High Rate” Income Taxes are Still Outperforming No-Tax States*, 28 février 2013, 12 pages.
<http://www.itep.org/pdf/lafferhighrate.pdf>

Les états ne devraient pas abandonner les impôts sur le revenu.

- Lawmakers seeking to cut or repeal state personal income taxes often claim that states without such taxes are outperforming the rest of the country, and that their economic growth can be easily replicated in any state that abandons its personal income tax. The governors of Indiana, Oklahoma, and South Carolina, as well as high-ranking officials pushing for income tax repeal in Louisiana and North Carolina, are some of the more influential lawmakers that have used this talking point. But this claim is based on an analysis by supply-side economist Arthur Laffer that is extremely flawed. In reality, states that levy personal income taxes, including the states with the highest top rates, have seen more economic growth per capita and less decline in their median income level over the last ten years than the nine states that do not tax income. Unemployment rates have been nearly identical across states with and without income taxes. Laffer’s claims to the contrary rely on cherry-picking a number of blunt, aggregate measures of economic growth that are closely related to population trends, and incorrectly asserting that tax policy is a leading force behind the migration trends that fuel this growth. Laffer omits measures like median income growth and state unemployment rates in his comparisons of states with and without income taxes, yet selectively cites these measures in other studies when the story they tell fits his preferred narrative. More fundamentally, Laffer’s simplistic analysis fails to account for the fact that states without income taxes often choose not to levy such a tax precisely because they possess unusual economic advantages that allow them to raise revenue (and grow their economies) in ways that other states cannot. In-state analysts and Laffer himself have correctly observed that factors like natural resources, federal military spending, and even favorable climate contribute to state economic growth. Many of these factors are of great significance in states without income taxes, but while Laffer mentions them in the text of his reports, he makes no effort to control for them in his quantitative analyses. More careful academic literature that controls for non-tax factors has often found state income taxes to have little, if any, impact on state economic growth. The underlying theory that Laffer uses to argue for cutting state income tax rates downplays or even ignores the importance of public investments like education and infrastructure to the success of state economies. It also assumes there is no economic cost in shifting more of the responsibility for paying taxes onto middle and low-income families—the consumers whose purchasing power is central to the success of any economy.

CENTER ON BUDGET AND POLICY PRIORITIES

Erica Williams et Nicholas Johnson, *ALEC Tax and Budget Proposals Would Slash Public Services and Jeopardize Economic Growth*, 12 février 2013, 18 pages.
<http://www.cbpp.org/files/2-12-13sfp.pdf>

Les réformes proposées dans plusieurs états augmenteraient le fardeau fiscal des familles à faible et moyen revenu.

- Governors and legislatures in numerous states are considering, or have recently enacted, sweeping tax and budget proposals that follow recommendations of the American Legislative Exchange Council (ALEC), with potentially adverse consequences for middle- and lower-income families, individuals, and communities across the country. These policies would cut taxes deeply for wealthy individuals, investors, and corporations; shift tax burdens substantially from well-to-do to middle- and low-income households; and impose strict constitutional or legal limits on revenues or spending that would severely limit states' ability to provide adequate funds for education, health care, and other priorities, and impair state economic growth.

Michael Mazerov, *Cutting State Personal Income Taxes Won't Help Small Businesses Create Jobs and May Harm State Economies*, 19 février 2013, 18 pages.
<http://www.cbpp.org/files/2-19-13sfp.pdf>

Une réduction des impôts d'état pour les particuliers ne stimulera pas la croissance des PME et la création d'emplois.

- Cutting state personal income taxes not only won't promote small business growth and job creation, but it is also likely over time to threaten the success of entrepreneurs by taking resources away from critical services like education. Until recently, most proposals to cut state taxes in the name of boosting economic growth and job creation focused on cutting business taxes like the state corporate tax. But in the past several years a growing number of elected officials and business organizations have called for cuts in state personal income taxes. They contend that because owners of most small businesses take advantage of provisions that allow them to pay personal income taxes on their profits — rather than corporate taxes — a personal income tax cut is required for small business to get the economic benefits of tax reduction. Supporters of such tax cuts argue that the level of state personal income taxes is a significant factor in small businesses' ability, and incentive, to create jobs despite the fact that there is virtually no evidence to support this claim. Proposals include cutting state income tax rates across the board, reducing tax rates for the highest income brackets, cutting or eliminating state taxation of "small business" income, or entirely repealing the state income tax. Regardless of the specific form they take, state personal income tax cuts will almost inevitably provide disproportionate tax savings to the most affluent households in a state. At the same time, cutting income taxes is a poor strategy for stoking small business growth and job creation.

Chuck Marr, Chye-Ching Huang et Joel Friedman, *Tax Expenditure Reform: An Essential Ingredient of Needed Deficit Reduction*, 27 février 2013, 17 pages.
<http://www.cbpp.org/files/2-27-13tax.pdf>

La lutte au déficit doit se faire par une réduction des dépenses fiscales plutôt que par la réduction des transferts aux particuliers.

- The revenue raised as part of January's American Tax Relief Act (ATRA) came primarily as a result of raising tax rates on high-income households. Yet throughout the negotiations around avoiding the fiscal cliff last year, both President Obama and Speaker Boehner called for raising revenue through limiting tax deductions, exclusions, and other tax breaks known collectively as "tax expenditures." Indeed, Speaker Boehner suggested that all of the \$800 billion of additional revenue in his initial December 3 offer could be raised by limiting tax expenditures rather than by raising tax rates. The additional revenue from reforming tax expenditures remains untapped and is available to make a significant contribution to deficit reduction as part of a balanced deficit reduction package of spending reductions and revenue increases (see Box 1 on why revenue should be part of deficit reduction). Tax expenditures are ripe for reform: they are costly, reducing revenues by over \$1 trillion annually, and they are often poorly designed for achieving their desired policy goals. In many cases, there is little difference between benefits or subsidies provided through the tax code and benefits or subsidies provided through the spending side of the budget. So efforts to reduce spending should also address spending in the tax code. Further, tax expenditures tend to provide a disproportionate share of benefits to households higher up the income scale. Thus, tax expenditure reforms are likely to be substantially more progressive than changes to entitlement programs,

which tend to provide the bulk of their benefits to lower- and middle-income households. During last year's budget negotiations and even during the presidential campaign, there was some bipartisan interest in addressing tax expenditures through a type of across-the-board limitation.



INTERNATIONAL

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

Lutter contre l'érosion de la base d'imposition et le transfert de bénéfices, OCDE, 19 février 2013, 96 pages.

http://www.oecd-ilibrary.org/taxation/lutter-contre-l-erosion-de-la-base-d-imposition-et-le-transfert-de-benefices_9789264192904-fr

(Cliquer sur *READ* pour lire le document intégral en ligne.)

Comprendre l'érosion de la base d'imposition dans un contexte de globalisation et comment s'y attaquer.

- L'érosion de la base d'imposition constitue un risque sérieux pour les recettes, la souveraineté et l'équité fiscales pour de nombreux pays. S'il existe de nombreux phénomènes susceptibles d'entraîner une érosion des bases fiscales nationales, le transfert de bénéfices n'est pas l'un des moindres. Le présent rapport s'ouvre sur une description des études et des données publiquement accessibles concernant l'existence et l'ampleur de ce phénomène, il donne ensuite un aperçu des évolutions internationales qui ont un impact sur l'imposition des sociétés, et identifie les principes fondamentaux sur lesquels repose l'imposition des activités transnationales, ainsi que les possibilités d'érosion de la base d'imposition et de transfert de bénéfices auxquelles ils peuvent éventuellement donner lieu. Le rapport conclut que les règles actuelles permettent d'accroître la part des bénéfices associés à des montages juridiques et à des droits et obligations incorporels, et de transférer légalement les risques au sein des groupes, avec pour conséquence de réduire la part des bénéfices associés aux opérations substantielles. Le rapport recommande de développer un plan d'action pour s'attaquer de manière compréhensive au problème de l'érosion de la base d'imposition et du transfert de bénéfices.

Aggressive Tax Planning based on After-Tax Hedging, OCDE, mars 2013, 45 pages.

http://www.oecd.org/ctp/aggressive/after_tax_hedging_report.pdf

Recommandations pour les administrations fiscales concernées par des planifications fiscales agressives de couverture après impôts.

- Following on from the OECD's report *Corporate Loss Utilisation through Aggressive Tax Planning* (2011), this report describes the features of aggressive tax planning (ATP) schemes based on after-tax hedging as well as the strategies used by countries to detect and respond to those schemes. The report, which draws from schemes submitted to the OECD Directory on Aggressive Tax Planning, also highlights a number of challenges from a compliance and policy perspective. Risk management and hedging are key issues in corporate management. In certain cases, taxpayers may see an opportunity or a need to factor taxation into their hedging transactions to be fully hedged on an after-tax basis. However, after-tax hedging, while not of itself aggressive, may be used as a feature of schemes which are designed to allow taxpayers to achieve higher returns, without actually bearing the associated risk which is in effect passed on to the government through the tax charge. This is yet another example of what enhanced cooperation in tax matters can deliver. A number of countries encountered ATP schemes based on after-tax hedging and exchanged information (both spontaneously and on request), also sharing other intelligence on those schemes with other countries involved. This has allowed other countries to, in turn, detect and respond to those schemes. Countries have put in place strategies focusing on spreading knowledge and information regarding these schemes internally within their tax administration. Many countries have also launched projects to examine the extent of the dissemination of these schemes in their countries. ATP schemes based on after-tax hedging pose a threat to countries' revenue base. Empirical evidence suggests that hundreds of millions of USD are at stake, with a number of multi-billion transactions identified by countries. This type of ATP schemes is used by different types of taxpayers and across various industries. Any country that taxes the results of a hedging instrument differently

from the results of the hedged transaction/risk is potentially exposed to such schemes. It is therefore important that countries are aware of arrangements that use after-tax hedging for ATP purposes.

Junghun Kim, Jorgen Lotz et Hansjörg Blöchliger, éd., *Measuring Fiscal Decentralisation: Concepts and Policies*, OCDE Fiscal Federalism Studies, 2013, 152 pages.

http://www.oecd-ilibrary.org/governance/measuring-fiscal-decentralisation_9789264174849-en

(Cliquer sur **READ** pour lire le document intégral en ligne.)

Étude sur la décentralisation budgétaire et fiscale dans un contexte de fédération.

- When trying to measure fiscal decentralisation, the OECD Network on Fiscal Relations Across Government Levels has made significant progress in the last years, especially on tax autonomy of sub-central governments. But in many respects, real-world fiscal decentralisation still escapes the measuring tools, especially when it comes to measure the spending power of sub-central governments or the various regulations attached to intergovernmental grants. This book deals with two interrelated issues. The first concerns the various measurement of fiscal decentralization in general and their usefulness for policy analysis. The second and more specific issue concerns the taxonomy of intergovernmental grants and the limits of the current classifications, and how policy changes to the intergovernmental grants framework may require that measurement devices be adapted.

Suppression électronique des ventes : une menace pour les recettes fiscales, OCDE, 2013, 50 pages.

http://www.oecd.org/fr/ctp/delits/Electronic_Sales_Suppression_Website_FR.pdf

Recensement et analyse des méthodes de lutte **contre la fraude liée à la suppression électronique des ventes**.

- Les techniques de « suppression électronique des ventes » facilitent la fraude fiscale et sont la cause de pertes fiscales très importantes au niveau mondial. Les systèmes de terminaux point de vente (PDV) utilisés dans le secteur de la vente au détail sont un élément essentiel des dispositifs généraux de vente et de comptabilité et constituent des outils comptables efficaces de gestion des entreprises. On attend d'eux, par conséquent, qu'ils contiennent des données primaires accessibles aux contrôleurs des impôts. En réalité, ces systèmes ne permettent pas seulement l'« écrémage » des recettes en espèces tout comme les systèmes manuels du type tiroir-caisse mais, équipés d'un logiciel de suppression électronique des ventes, ils rendent possibles des méthodes de fraude plus complexes du fait de leur aptitude à modifier les données enregistrées afin de dissimuler les pratiques d'écrémage. Les administrations fiscales perdent des milliards de dollars ou d'euros à cause des ventes non déclarées et de la dissimulation de recettes à l'aide de ces techniques. D'autre part, un certain nombre de pays considèrent que s'attaquer vigoureusement à ce problème doit constituer un élément important de leur stratégie pour réduire le « manque à gagner » fiscal. Le présent document examine les fonctions des systèmes PDV, ainsi que les domaines de risque spécifiques. Il décrit en détail les techniques de suppression électronique des ventes qui ont été découvertes par des spécialistes, en particulier « Phantomware » et « Zappers », et montre de quelle façon ces méthodes de fraude peuvent être détectées par les contrôleurs et enquêteurs fiscaux. Il note l'évolution constante des techniques de suppression électronique des ventes et la nécessité d'être vigilants face à ces changements. Ce document recense et analyse les diverses méthodes employées par les pouvoirs publics pour lutter contre la fraude liée à la suppression électronique des ventes, en signalant certaines pratiques exemplaires, notamment : le renforcement du respect des normes, en mettant l'accent sur la discipline volontaire sous la responsabilité des organismes sectoriels; la sensibilisation de l'ensemble des parties prenantes, y compris le public; l'amélioration des compétences en matière de contrôle et d'enquête; l'acquisition et l'échange de renseignements; et l'utilisation de moyens techniques comme les systèmes PDV certifiés.

INTERNATIONAL TAX DIALOGUE

Ruud de Mooij, Michael Keen et Masanori Orihara, « Taxation, Bank Leverage, and Financial Crises », *IMF Working Paper*, WP/13/48, février 2013, 26 pages.

<http://www.imf.org/external/pubs/ft/wp/2013/wp1348.pdf>

La fiscalité des sociétés, en favorisant le financement par de la dette, contribue à un plus grand risque de crises financières.

- That most corporate tax systems favor debt over equity finance is now widely recognized as, potentially, amplifying risks to financial stability. This paper makes a first attempt to explore, empirically, the link between this tax bias and the probability of financial crisis. It finds that greater tax bias is associated with significantly higher aggregate bank leverage, and that this in turn is associated with a significantly greater chance of crisis. The implication is that tax bias makes crises much more likely, and, conversely, that the welfare gains from policies to alleviate it can be substantial—far greater than previous studies, which have ignored financial stability considerations, suggest.



SOCIAL SCIENCE RESEARCH NETWORK

Allison Christians, *Drawing the Boundaries of Tax Justice*, 1^{er} février 2013, 21 pages.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2230668

La justice fiscale n'est pas respectée par les États dans le monde : l'imposition est arbitraire et injuste.

- The story of our time may be the awakening of society to an epidemic of global tax dodging by the world's elites. Citizens, watchdog groups, and even government officials are puzzled, frustrated, and sometimes outraged by the phenomenon, wondering where the nation-state lost its way in regulating its people and its resources, and why it is standing by, apparently helplessly, as its tax base erodes while austerity measures undermine the welfare state. This paper demonstrates that the sequence of tax base erosion-austerity-welfare state erosion is a story about a crisis of tax justice. It does so by revisiting how Canada's historic Royal Commission on Taxation, in its search for guiding principles for tax reform, turned to tax justice as the central component for any tax system. It shows why nations have consistently failed to meet these guiding principles, instead taxing the easy-to-tax more or less comprehensively, the hard-to-tax more or less randomly, and the impossible-to-tax not at all. It demonstrates that the result is that no state today imposes taxation justly: instead, taxation as exercised around the world today is overwhelmingly characterized by arbitrariness and injustice. The paper concludes that if governments cannot or will not pursue justice in taxation, they have at minimum a duty to explain to society why this goal is no longer worthy of pursuit.

Hilary J. Allen, *Let's Talk About Tax: Fixing Bank Incentives to Sabotage Stability*, 20 février 2013, 54 pages.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2190999

Le financement des banques par dette hybride en réponse aux incitatifs fiscaux : l'équité devrait être privilégiée.

- Regulatory capital requirements are in place to improve bank (and systemic) stability, by forcing banks to fund themselves with more loss-absorbent equity. But banks have strong incentives to prefer debt funding to equity funding, and thus to arbitrage regulatory capital requirements. In particular, banks have (often successfully) petitioned regulators to allow them to satisfy regulatory capital requirements with hybrid debt-equity instruments that can be treated as debt for tax purposes. Unfortunately, the Financial Crisis showed that the first generation of these hybrid instruments, including trust preferred securities, did not live up to their promise of promoting bank stability. The next generation of hybrids, the contingent convertible bonds or "cocos", have the potential to be downright harmful to stability. We therefore need to address bank incentives to create hybrid instruments, and otherwise arbitrage regulatory capital requirements. While regulatory capital requirements are almost always discussed in isolation from tax policy, this Article recognizes that banks' reluctance to fund themselves with larger cushions of common equity is, in large part, a tax problem. Financial regulators, rather than accepting such tax preferences as a given, should engage with their tax colleagues and revisit the wisdom of tax policies that incentivize reliance on debt funding, and the instability such reliance creates. To that end, this Article takes the first step in fusing together regulatory capital scholarship with the tax literature on reducing debt bias, and proposes that common equity held by banks as regulatory capital should be made tax deductible. The hope is that this

will inspire experts in the fields of economics, tax and financial regulation (particularly within the Basel Committee on Banking Supervision) to collaborate in refining this Article's proposal, so that the efficacy of regulatory capital requirements (and financial stability) can be maximized.

Xiumin Martin, Cong Wang et Hong Zou, *Does Target Tax Aggressiveness Matter in Corporate Takeovers?*, 15 décembre 2012, 50 pages.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2191544

Des pratiques agressives en matière fiscale peuvent diminuer la valeur d'une société.

- In this paper we investigate whether tax avoidance has an effect on M&A terms. We find that tax aggressiveness of target firms negatively affects acquisition premiums paid by acquirers. The effect is concentrated in opaque targets or targets that are from less competitive industries, when acquirers hire a top-tier financial advisor, and in the period after the 2003 regulatory changes took effect to curb abusive tax shelters. In addition, target firms with a higher level of tax aggressiveness are more likely to receive a downward adjustment to the initial offer price. Last, we show that public acquirers are more likely to use stock as the currency for acquiring tax aggressive targets. Taken together, our evidence suggests that tax aggressiveness has a measurable adverse effect on shareholder value in an M&A deal.

Terje Lensberg et Klaus Peiner Schenk-Hoppé, *Taxing Financial Transactions*, 15 février 2013, 4 pages.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2221401

Taxe sur les transactions financières en Europe : les effets bénéfiques seraient surestimés.

- Should financial transactions be taxed? The European Commission seems to think so. Cheered on by many economists, it presents the tax as a means to raise revenue, curb speculation and increase financial stability. This column argues that a financial transaction tax will meet none of these goals. Financial stability will not improve, and net revenue may be negative.

James R. Repetti et Diane M. Ring, « Horizontal Equity Revisited », *Florida Tax Review*, vol. 13, numéro 3, 2012, 30 pages.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2228259

L'équité horizontale est-elle un concept distinct de l'équité verticale, et est-elle utile pour définir une bonne politique fiscale?

- The role of Horizontal Equity ("HE") in tax policy has continued to generate controversy and debate. One way to encapsulate the question after all this time is to ask — if we started with HE as our motivating concept in designing a tax system where would we be? If HE says treat equals the same, what does our tax system look like? The answer is — we don't know because the term has no independent meaning for fairness and equality. We must turn to some theory of distributive justice to determine equality and to determine an appropriate tax burden. At this point HE collapses into one concept, which is generally referred to as Vertical Equity ("VE"). The crucial point is not that this single concept is VE, but that VE and HE are together a single concept which lacks normative content and is itself only a proxy for theories of distributive justice. For those who remain committed to a gut sense that HE means something, we would say, "yes, but a different something." While HE is not helpful in designing a tax system because it provides no guidance about what the system should look like, support for HE has persisted because of a shared belief that government should communicate the rationale for treating people differently. The difficulty is that while HE may tell us that government should communicate the rationale for different treatment, it does not tell us what that different treatment should be. Support for the role of HE may also be rooted in the notion that government should be even-handed in its enforcement of tax laws. HE is not helpful, however, in insuring even-handed enforcement since, in a world of finite resources, not every taxpayer can be audited. In deciding who should be audited, it is necessary to refer to something beyond HE. But perhaps the close link of tax policy to the process of tax policy creation and the administrative practice explains the unstated but visceral commitment to HE that has continued to spark debate over the past 20 years.

Vijay M. Jog et Jack Mintz, «Sovereign Wealth and Pension Funds Controlling Canadian Businesses: Tax-Policy Implications», *SPP Research Paper No. 6-5*, 5 février 2013, 25 pages.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2240449

Les fonds de pensions canadiens sont désavantagés par le plafond de 30 % de détention d'actions de sociétés canadiennes, par rapport aux fonds souverains étrangers qui ne sont pas soumis à cette règle.

- In a world without taxes, investors that take over companies would do so because they expect to be able to operate the business efficiently and at a high rate of return. But in Canada today, some acquirers enjoy tax advantages over others. And that could mean that certain buyers, who may not be best suited to owning a particular company, are able to outbid those who are better positioned to run that company at optimal efficiency. That is a problem not just for investors who end up outbid, due to Canada's uneven tax policy, but for the Canadian economy, which suffers from the resulting economic inefficiency. With respect to registered pension plans, the so-called 30-per-cent rule puts a cap on the amount of voting equity in a company that they are permitted to own. Meanwhile, however, sovereign wealth funds — whether controlled by China or Australia — face no such limit when purchasing stakes in Canadian firms. The number and size of sovereign wealth funds, globally, is only growing — and rapidly. But as Canada increasingly attracts foreign capital, with foreign-controlled government-affiliated funds seeking out Canadian takeover targets, much of the discussion around public policy has focused primarily on the Investment Canada Act and the “net benefit test” for foreign direct investment. Another component in ensuring that Canadian interests are preserved, however, is the question of whether Canadian institutional investors can operate on a level playing field with foreign sovereign wealth funds. With the 30-per-cent rule limiting equity purchases for one but not the other, it would appear that they are not. The most appealing remedy to this imbalance is a tax solution: limiting the corporate deductions on interest, fees, royalties, rents, and the like, that so often factor in to the takeover calculation, as part of a tax-minimization strategy. This would not only put pension funds and sovereign wealth funds on equal footing, but it could also be applied to investors operating from low- or zero-tax jurisdictions, as well. This approach is not without disadvantages. But overall, the neutrality it could achieve among different types of institutional investors, and the potential it has to enable those investors best able to maximize management excellence and synergies, make it the preferable policy direction for ensuring the greatest level of efficiency in the Canadian economy.

Jeffery M. Kadet, *Worldwide Tax Reform: Reversing the Race to the Bottom*, 11 mars 2013, 4 pages.

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2231915

Afin d'éliminer l'incitatif fiscal à transférer les revenus dans d'autres juridictions, les multinationales doivent être imposées sur leurs revenus mondiaux.

- The OECD Base Erosion and Profit Shifting Project is now under way, its mission being to suggest ways that countries can work together and amend their domestic laws to combat the corporate profit shifting that has so affected the tax bases of many countries. The only way to truly eliminate corporate profit shifting is to eliminate the strong motivation multinational enterprises have to achieve "double non-taxation" by engaging in profit shifting. By being subject to current home-country taxation on its worldwide earnings, a multinational cannot achieve double non-taxation. That will eliminate or significantly reduce its motivation to engage in complicated structures that shift profits into tax havens from countries where operations, sales, and services take place. This article describes a worldwide full-inclusion approach that can eliminate the current strong motivation to shift profits. Any suggestions that the BEPS Project makes that are less than this will likely leave a strong motivation for profit shifting so that such suggested actions will only have the effect of a band-aid. The only way to really solve the problem is to eliminate the motivation.

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