

 CANADA

## INSTITUT ÉCONOMIQUE DE MON- TRÉAL

M. Kelly-Gagnon, *Les tarifs aériens élevés et l'exode de passagers au Canada*, 27 mars 2014, 2 pages.

Comment  
contrecarrer les  
aéroports du  
nord des  
États-Unis?

Étant donné que 75 % de la population du Canada vit à seulement 90 minutes de la frontière américaine, de nombreux aéroports régionaux canadiens sont en concurrence directe avec les aéroports du nord des États-Unis. Cette proximité géographique signifie que le prix des billets d'avion est devenu l'un des principaux avantages concurrentiels des aéroports dans leur quête d'une plus large clientèle de passagers. Ce point explique pourquoi les impôts, frais et droits font en sorte d'augmenter les prix des billets d'avion et rendent les aéroports canadiens moins compétitifs par rapport aux aéroports américains.

## INSTITUT ÉCONOMIQUE DE MON- TRÉAL

Y. Chassin, *Doit-on élargir les régimes publics de retraite?*, 27 février 2014, 4 pages.

Les Canadiens épargnent-ils suffisamment pour leur retraite? Quelle est la responsabilité de l'État en la matière? Partout au

Comment  
réduire le taux  
de pauvreté chez  
les aînés?

Canada, ces questions ont pris durant la dernière année une importance inégale. Plusieurs propositions de réformes majeures des régimes publics sont discutées. Elles partent toutes d'un même constat, celui de l'insuffisance de l'épargne retraite, et proposent des solutions apparentées puisque toutes basées sur l'épargne obligatoire. Cette Note économique se demande si les diagnostics sont fondés et les solutions proposées adéquates.

## FONDATION CANADIENNE DE FISCALITÉ

J. Rhys Kesselman et P. S. Spiro, « *Challenges in Shifting Canadian Taxation Toward Consumption* », *Revue fiscale canadienne*, vol. 62, no 1, 2014, p. 1-41.

Les analystes de la politique fiscale canadienne sont très en faveur de privilégier la taxe sur les produits et services/taxe de vente harmonisée — une taxe à la consommation — plutôt que l'impôt sur le revenu des particuliers comme source de revenus, ou encore d'augmenter la proportion de la taxe à la consommation dans l'assiette de l'impôt des particuliers. Cette étude va à l'encontre des recommandations en matière de politique fiscale du « consensus d'experts » et évalue de façon critique les preuves théoriques et

empiriques relatives au comportement dans les domaines de l'effort de travail, de l'épargne, de l'investissement, de la croissance économique, de l'efficacité et de l'observation fiscale. L'étude examine plus à fond l'échec de l'opinion consensuelle à expliquer de manière adéquate les effets régressifs des modifications prescrites à la politique fiscale. La plupart des analyses des experts faisant consensus s'appuient largement sur des preuves étrangères tout en ignorant le fait que l'impôt direct des particuliers au Canada est déjà fortement orienté vers une assiette de taxation de la consommation. Un examen attentif des preuves théoriques et empiriques indique que les principales hypothèses sont faibles ou vulnérables. La plupart des gains économiques putatifs qui découleraient d'une transition vers un régime fiscal davantage axé sur la consommation diminuent ou disparaissent quand la réforme est contrainte de n'avoir aucune incidence sur la répartition. Ainsi, c'est la transition vers un régime fiscal plus régressif implicite dans de telles réformes plutôt que vers une assiette de taxation de la consommation en soi qui génère de tels gains potentiels. Les deux types de réformes nuiraient à la répartition du fardeau fiscal à moins qu'elles soient accompagnées d'une augmentation du barème des taux d'impôt des particuliers. Cette étude examine les conditions requises pour faire en sorte que les réformes proposées n'aient aucune incidence sur la répartition ainsi que sur le revenu.

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## INSTITUT C.D. HOWE

M. Hamilton, « *Evaluating Public-Sector Pensions: How Much Do They Really Cost?* », *Commentary*, no 403, 2014, 20 pages.

Public-sector pension plans in Canada are generally large, efficient and well managed. Funding levels are healthy when compared to private-sector pension plans in Canada and public-sector pension plans elsewhere. And yet, all is not well. There are large differences between the fair values of the pensions earned by public-sector employees and the "cost" of these pensions according to public-sector financial statements. These differences arise almost entirely from the pricing of guarantees. Specifically, the financial markets attach high values to the guarantees embedded in public-sector pension plans while government financial statements attach little or no value to these guarantees. This means that pension costs

are materially understated and, as a consequence:

Private-sector pension accounting standards long ago rejected the premise at the heart of today's public-sector accounting standards – that the cost of a fully guaranteed pension depends critically upon the rates of return that a pension fund can earn on risky investments even though the pension itself is totally unaffected by these returns. Public-sector accounting practice recognizes, today, the returns that a pension fund might reasonably expect to earn as a reward for future risk taking. These returns are recognized long before the risks are taken and used to reduce the reported cost of employee pensions. As a consequence, the reward for future risk-taking goes to employees who, because their pensions are fully guaranteed, take no risk. Future taxpayers, on the other hand, will be expected to bear risk without fair compensation.

- employees in the public sector are paid more than is publicly acknowledged and, in many instances, more than their private-sector counterparts;
- public-sector employees shelter more of their retirement savings from tax than other Canadians are permitted to shelter; and
- taxpayers bear much of the investment risk taken by public-sector pension plans while the reward for risk-taking goes to public employees as higher compensation.

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## SOCIAL SCIENCE RESEARCH NETWORK

A. Christians et A. J. Cockfield, *Submission to Finance Department on Implementation of FATCA in Canada*, 10 mars 2014, 51 pages.

Entériner  
FATCA au  
Canada : une  
question  
d'évasion fiscale  
ou de droits  
constitutionnels?

the world in an effort to “smoke out” American tax cheats and expose their undeclared foreign assets to the U.S. Internal Revenue Service (IRS). The flow of information from Canadian financial institutions directly to the IRS that is required by FATCA would violate a number of laws in Canada. Accordingly, the United States has requested changes to these laws. The Canadian government now seeks to accommodate these requests in the form of an “intergovernmental agreement” (IGA) with the United States, which will be enacted into law as the Canada–United States Enhanced Tax Information Exchange Agreement Implementation Act (the Implementation Act) pursuant to a proposal released for comment by the Department of Finance. The Department of Finance invited public comments on these documents. We examined the proposed Implementation Act and the IGA and we find that they raise a number of serious issues ranging from likely constitutional violations to violations of international law. We submit these comments in the hope that they will help lawmakers and the public understand that FATCA, while intended to catch tax evaders, is poised instead to impose serious and unjustified harms on people who live around the world as non-resident U.S. citizens and green card holders, as well as their family members and business associates.



## ÉTATS-UNIS

### CENTER ON BUDGET AND POLICY PRIORITIES

E. McNichol, V. Palacios et N. Johnson, *Budgeting for the Future: Fiscal Planning Tools Can Show the Way*, 4 février 2014, 53 pages.

The United States enacted a tax reform in 2010 known as the Foreign Account Tax Compliance Act (FATCA), which will impose an extensive third-party monitoring and disclosure regime on financial institutions around

When state policymakers are writing a budget, they should be mindful of the future, not just the present. Often, however, policymakers focus on the immediate effects of policy decisions and fail to account for their longer-term consequences. Many states, for instance, fail to produce multi-year spending plans, fail to establish sound “rainy day funds,” and/or fail to follow best practices for forecasting revenues, spending commitments, pension obligations and the like. These are proven methods to improve long-term planning, yet they are underutilized. This report describes the ten key tools that can help states chart their fiscal course accurately and make corrections when needed; it also surveys the 50 states and the District of Columbia on the degree to which they use these tools. It finds that the use of these tools cuts across regional and partisan divides. State policymakers should be thinking hard about the future whenever they write a budget, because their decisions will have very big implications many years down the road. They should be asking: Is our state’s future workforce well-suited for the jobs of tomorrow? Will our infrastructure meet emerging needs? Is our tax system sufficiently up-to-date for the 21st century economy? And how will our budget choices today affect our ability to provide residents with a high quality of life for decades to come? Laying out a clear roadmap of the implications of the state budget — using proven, nonpartisan methodologies — can reduce uncertainty and help a state handle the outside shocks that will inevitably arise.

### CENTER ON BUDGET AND POLICY PRIORITIES

R. S. McIntyre, M. Gardner et R. Phillips, *90 Reasons We Need State Corporate Tax Reform*, 19 mars 2014, 51 pages.

This study comes on the heels of a Citizens for Tax Justice and the Institute for Taxation and Economic Policy report that found many Fortune 500 companies also pay extraordinarily low or no federal income tax. Many profitable companies also are exploiting state loopholes to avoid paying corporate income taxes, and some are even actively pushing for more state tax breaks. The state study examined 269 Fortune 500 companies that were profitable every year between 2008 and 2012. This report comes to different findings based on the state study. First, 90 companies

paid no state income tax at all in at least one year, and 38 companies avoided taxes in two or more years. Moreover, 10 companies, including Boeing, Merck, Rockwell Automation, paid no state income tax at all over the five-year period covered by the study. The average weighted state corporate income tax rate is 6.25 percent, but the 269 companies paid an average rate of just 3.06 percent. Finally, The companies examined collectively avoided paying \$73.1 billion in state corporate income tax. This study includes several recommendations for state corporate income tax reform, including: adopting a minimum tax to ensure that every profitable company pays at least some income tax; and requiring better disclosure of corporate tax payments so state lawmakers know whether companies lobbying them for tax breaks are paying any income taxes to begin with.

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## TAX POLICY CENTER

L.E. Burman, *Taxes and Inequality*, 20 mars 2014, 30 pages.

This paper reviews historical trends in economic inequality and tax policy's role in reducing it. It documents the various reasons why income inequality continues to rise, paying particular attention to the interplay between regressive and progressive federal and state taxes. The report also considers the trade-off between the social welfare gains that a more equal distribution of incomes would provide, and the economic costs of using the tax system to reduce inequality, highlighting the fact that income inequality reflects an amalgam of factors. The optimal policy response reflects that complexity.

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## NATIONAL TAX JOURNAL

G.A. Plesko et E.J. Toder, « *Changes in the Organization of Business Activity and Implications for Tax Reform* », *National Tax Journal*, vol. 66, no 4, décembre 2013, p. 885-870.

**Comment  
imposer le  
bitcoin?**

This paper documents the increased role of pass-through entities and the associated decline

in use of the taxable corporate form since the Tax Reform Act of 1986 (TRA86) and discusses implications for the design of tax policy. We show how significant reductions in the corporate tax rate, absent changes in the personal tax rate, would reverse the organizational form incentives that have existed since TRA86. If the loss in revenue from a rate reduction is offset by a broadening of the tax base, most business entities, comprising most business income, will face an overall increase in their tax burden.

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## NATIONAL TAX JOURNAL

E. Toder, J. Rosember et A. Eng, « *Evaluating Broad-Based Approaches for Limiting Tax Expenditures* », *National Tax Journal*, vol. 66, no 4, décembre 2013, p. 807-832.

This paper evaluates six options to achieve across-the-board reductions to a group of major exclusions and deductions in the income tax: (1) limiting their tax benefit to a maximum percentage of income; (2) imposing a fixed dollar cap; (3) reducing them by a fixed-percentage amount; (4) limiting their tax saving to a maximum percentage of their dollar value; (5) replacing preferences with fixed rate refundable credits; and (6) including them in the base of the existing Alternative Minimum Tax (AMT). We discuss issues of design, implementation, and administration, and simulate the revenue, distributional, and incentive effects of the various options.



## INTERNATIONAL

### SOCIAL SCIENCE RESEARCH NETWORK

B. W. Akins, J. L. Chapman et al., « *A Whole New World: Income Tax Considerations of the Bitcoin Economy* », *Pittsburgh Tax Review*, Forthcoming, 2014, 39 pages.

In recent years, the use of virtual economies has skyrocketed. These virtual economies include their own virtual currencies, the most well-known of which is the "bitcoin." There are an estimated 11 million bitcoins in use today, valued

at up to \$237 per bitcoin in 2013. Because these bitcoins can, in some circumstances, be used to purchase goods or services with a monetary value or where they can be converted to legal tender, the proper income tax treatment of bitcoin transactions presents both compliance and substantive questions for the IRS. To date, there remains little legal or academic guidance on the use of bitcoins, or the taxation of bitcoin transactions. This article explores the current state of the law as it relates to bitcoins as well as proposed methods for applying existing federal income tax laws to the virtual economy. Based upon the current state of the law and the information available on the various systems through which bitcoins may flow, the article sets forth a series of recommendations as to the proper federal income tax treatment of bitcoin transactions and suggests methods for addressing the compliance issues related to these transactions.

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## OECD

*Taxation and tourism*, 7 mars 2014, 26 pages.

There is currently an intense debate about the role of tourism taxation and its impact on the competitiveness and attractiveness of destinations. This chapter explores the evolving relationship between taxation and tourism. It aims to contribute to the current policy debate by enabling the reader to better understand the rationale and concerns from both a government and industry perspective.

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## INTERNATIONAL TAX DIALOGUE

S. J. Miller, et al. M. A. Velay, *Are environmentally related taxes effective?*, 18 mars 2014, 27 pages.

This paper focuses on the question of whether the magnitude of long-established environmentally related taxes (ERT) is related to countries environmental performance. While environmental taxes efficiencies have previously been discussed, those taxes contribution to reducing pollution and improving environmental quality has not been fully explored.

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## SOCIAL SCIENCE RESEARCH NETWORK

F. Colantuoni et C. Rojas, *The Impact of Soda Sales Taxes on Consumption: Evidence from Scanner Data*, 11 mars 2014, 30 pages.

Scientific evidence on the effect of sugar consumption on obesity has propelled policy makers in several states across the U.S. to propose the imposition of a tax on soft drinks sales. In this paper, we look at the

effect of two tax events: a 5.5% sales tax on soft drinks imposed by the state of Maine in 1991, and a 5% sales tax on soft drinks levied in Ohio in 2003. We investigate this question by using sales data collected by scanner devices in the two states where soda taxes were enacted as well as on neighboring states. We employ a difference-in-difference matching estimator (DIDM) that, in our setting, permits the comparison among treatment and control groups based on brand identity. Results suggest that neither sales tax had a statistically significant impact on the consumption of soft drinks. This finding is robust to several alternative specifications.

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Réduire l'obésité  
en taxant les  
boissons  
gazeuses :  
mauvais remède  
à un gros  
problème!

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