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Is a tax amnesty a good fiscal policy? a review of state experience in the usa

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Abstract

During and immediately after the recessions of 2001 and 2007-2009, tax amnesties in the American states rebounded in popularity. Is tax amnesty a good fiscal policy? To address this question, we review the experience of US state tax amnesty between 1982 and 2012 and identify the literature that support the argument that tax amnesties not only raise higher tax revenues for the state treasury in the short term, but also do not have negative effects on tax compliance in the long term. We then point out some of the statistical pitfalls in the literature and explain why they are important.

Completed draft available on request from:

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