

Who Bears the Burden of Local Taxes?

We study the incidence of local taxes on the welfare of heterogeneous residents. A structural model of imperfectly mobile households who differ in terms of income and family status allows us to back out preferences for local public goods and mobility parameters that vary by family status. We calibrate the model with plausibly causal tax-base and housing-price elasticity estimates. Based on municipality-level data for Switzerland, we find that households with children have stronger preferences for locally provided public services and are less mobile than households without children. This in turn implies that the burden of local taxes is mainly borne – linearity of taxes and capitalization into lower housing notwithstanding – by above-median income households without children.