

Dr. Simon Margolin

Assistant Professor of Economics

University of California, Santa Barbara

“Micro vs. Macro Corporate Tax Incidence”

Abstract:

This paper studies the unequal incidence of corporate taxes across firms and its implications for macroeconomic outcomes. I develop a dynamic general equilibrium Harberger model with heterogeneous firms. I show that corporate tax cuts lead to stronger wage increases at capital-intensive firms, and that this heterogeneous effect, combined with general equilibrium dynamics, creates a discrepancy between micro and macro estimates of their impact on workers' income and welfare. I validate the core firm-level mechanisms using French administrative employer-employee data and multiple tax reforms. I use the reduced-form estimates to discipline the model, and quantify the short vs. long run, and micro vs. macro consequences of corporate tax reforms. When firm heterogeneity and general equilibrium dynamics are taken into account, workers bear a relatively small share of the aggregate corporate tax burden.