

# THE INTERGENERATIONAL CAUSAL EFFECT OF TAX EVASION: EVIDENCE FROM THE COMMUTER TAX ALLOWANCE IN AUSTRIA

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### Abstract

Does tax evasion run in the family? To answer this question, we study the case of the commuter tax allowance in Austria. This allowance is designed as a step function of the distance between the residence and the workplace, creating sharp discontinuities at each bracket threshold. It turns out that the distance to the next higher bracket is a strong determinant of compliance. The match of different administrative data sources allows us to observe actual compliance behavior with little error at the individual level across two generations. To identify the intergenerational causal effect in tax evasion behavior, we use the paternal distance to next higher bracket as an instrumental variable for paternal compliance. We find that paternal non-compliance increases children's non-compliance by about 23%. (JEL: H26, A13, H24, J62, D14)

Keywords: Tax evasion, tax morale, intergenerational correlation, intergenerational causal effect.

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