Axe the Tax: Taxes are Disliked More than Equivalent Costs

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AXE THE TAX: TAXES ARE DISLIKED MORE THAN EQUIVALENT COSTS

Abstract

Tax collection is critical for the proper functioning of society. However, many people strongly dislike paying taxes. Although a distaste for paying taxes could be rational on economic grounds, we show that this attitude extends beyond simply disliking the costs incurred and affects behavior in counter-normative ways. We demonstrate the phenomenon of tax aversion: a desire to avoid taxes, *per se*, that exceeds the rational economic motivation to avoid a monetary cost. Across two studies, we provide evidence that individuals have a stronger preference to save money when savings are related to taxes compared to when they are unrelated to taxes. Furthermore, we show that this tendency is most prevalent among those identifying with political parties that generally favor less taxation. In a third study, we show that the greater tendency toward tax aversion among participants identifying with “anti-tax” parties disappears when they consider positive uses of tax dollars. In contrast, considering either positive or negative uses has no effect on those identifying with “pro-tax” parties. We conclude by discussing implications.

Keywords: tax, decision-making, consumer financial choice, behavioral economics, political affiliation
Most countries depend on taxes to provide essential services ranging from highways to healthcare. Although people benefit from these services, most dislike paying taxes. Objections to taxes can be attributed in part to the pain that people experience from paying any expense. In economics, the prevailing view is that any decrease in utility for an individual resulting from a tax is entirely due to the monetary cost it imposes (e.g., Ramsey, 1927).

However, people may dislike taxes above and beyond their financial costs for cultural, political, or even moral reasons (Hardisty, Johnson, & Weber, 2010; Kirchler, 2007). Taxes are often perceived as a loss of personal financial freedom, as expenditures without a fair return, or as funds wasted by inefficient politicians (Kirchler, 1998). Each day in the news, more headlines highlight Americans’ hatred of taxes—a hatred that seems aimed at the very concept of taxes. One man was so enraged by the tax system that he flew a plane into an Internal Revenue Service office building, leaving a suicide note detailing his grievances with the tax code (Brick, 2010). In 2009, US citizens began participating in nationally coordinated “Tea Party” demonstrations, protesting taxation. These protests are now held annually on April 15, when tax filings are due.

Polls (conducted at the time this paper was written) suggest that 18% of Americans identify with the Tea Party, a movement marked by hostility towards taxes (Zernike & Thee-Brenan, 2010). Among the population more broadly, about one-half of Republicans and close to one-third of Democrats say that they are angry about the amount of taxes they have to pay (CNN, 2010). This negative attitude towards taxes can have serious implications for the government by spurring legal tax avoidance behavior in addition to illegal tax evasion. Tax evasion alone is estimated to cost governments about 20% of revenues in developed countries, with the numbers much higher in developing countries that have less effective mechanisms for enforcing tax rules (Orviska & Hudson, 2002). Consider, for example, the fact that, according to some estimates, the Greek
government loses as much as $30 billion to tax evasion each year, contributing to their recent economic meltdown (Daley, 2010).

Previous psychological research on taxes has shown that heuristics, biases, and framing effects, which are known to impact decision making generally, also affect how individuals evaluate tax policies (e.g., Hardisty, et al., 2010; McCaffery & Baron, 2006; Reimers, 2009; for literature reviews see Hill, 2010; Kirchler, 2007; McCaffery & Slemrod, 2006). For example, people have been shown to prefer tax policies that are labeled as “bonuses” rather than identical policies labeled as “surcharges”, to prefer hidden rather than explicit taxes, and to vary their view of the appropriate level and distribution of a tax depending on whether it is presented in absolute dollar or percentage terms (McCaffery & Baron, 2004, 2006; Reimers, 2009). Furthermore, McCaffery and Baron (2006) demonstrated that the “tax” label carries special meaning and can alter people’s attitudes in ways that vary depending on the nature of the expense. More recently, Hardisty et al. (2010) showed that framing a charge intended to reduce the environmental impact of carbon emissions as a tax rather than an offset reduces its favorability among Republicans, but not Democrats.

In this paper, we document the phenomenon of tax aversion, by which we mean a dislike of taxes, per se, that goes above and beyond their associated financial costs. This work goes beyond describing the psychology of tax policy preferences and examines how the presence of a tax can alter decisions and behavior disproportionately relative to an equivalent alternative cost. We report two experiments showing that people are more willing to exert effort to avoid paying taxes than to avoid other (and larger) tax-unrelated costs. Furthermore, we show that this tendency is most prevalent among those who identify with anti-tax political parties. Finally, we
show that when members of anti-tax parties are instructed to list positive uses of their tax dollars, their subsequent choices are indistinguishable from those of pro-tax party members.

Experiment 1

Participants. 238 participants were recruited from 3 populations: (i) users of Amazon.com’s Mechanical Turk service (www.mturk.com) (N = 131), (ii) passers-by at a shopping mall in the northeastern United States (N = 65), and (iii) Princeton University undergraduates (N = 42). Participants completed the study for payment or course credit. Prior to analysis, we discarded 43 participants from the online sample who reported either living outside of the US or having previously taken the survey, and 4 participants from the shopping mall who were visibly distracted. Thus, our final sample consisted of 191 participants (62% female) who were 18-63 years old (M = 29.89, SD = 11.87).

Materials and procedure. All three populations answered the central survey question followed by demographic questions. (i) Participants recruited through Amazon.com completed the survey online for a cash reward. (ii) Participants recruited from the shopping mall stopped at tables where various experiments were taking place. They were given a survey packet (which also contained unrelated questionnaires) and a seat to complete the survey for a cash reward. (iii) Princeton University undergraduates were recruited in a variety of locations on campus and followed a similar procedure to those at the shopping mall, except that some received course credit in lieu of cash.

Participants read and responded to the following hypothetical scenario:

You want to buy a new television and have a particular model in mind. Calling around, you find that only two stores, Bob’s Electronics and Tom’s Electronics, carry that model.
Bob’s Electronics is located very close, about a 5-minute drive, but offers no discounts on the television set. Tom’s Electronics is located farther away, about a 30-minute drive, but offers the television set (tax-free, which is equivalent to an 8% discount)/(with a 9% discount). Where do you go to make your purchase?

Bob’s Electronics Tom’s Electronics

The experiment consisted of a between-subjects design with participants assigned to one of two conditions (8% tax-related discount vs. 9% tax-unrelated discount) in a non-biased, pseudo-random order (alternating or shuffled). Participants assigned to the 8% tax-related discount condition saw the discount stated in brackets and bold above: “tax-free, which is equivalent to an 8% discount”. Participants assigned to the 9% tax-unrelated discount condition instead saw the discount in parentheses and underlined above: “with a 9% discount”.

Results and discussion. Results supported our hypothesis that taxes receive special psychological treatment. Participants not only showed sensitivity to the nature of the discount, but this reaction overpowered underlying economic factors. Trends were consistent across the three populations surveyed, so we combined results for simplicity. Significantly more participants chose to travel 30 minutes to receive a discount when it was an 8% tax-related discount (76%) than a 9% tax-unrelated discount (59%), \( \chi^2 (1, N = 191) = 5.83, p = .016, \phi = .18 \), despite the higher level of savings in the tax-unrelated condition.

These results provide evidence not only that people dislike paying taxes, but also that they exhibit tax aversion, i.e., they are actually willing to make sacrifices to avoid taxes that they would not make for other, larger tax-unrelated costs. Consequently, stores that advertise “tax-free” sales may actually lure more customers than they would through an equal or even larger
tax-unrelated discount taken off the face price of a good. In a “tax-free” sale, the store reduces
the price of its goods by an amount equal to the sales taxes. As a result, customers are led to feel
as though they have avoided the tax entirely, when in fact, the store is still responsible for paying
sales tax to the government.

In an effort to identify a driver of tax aversion, the next experiment examined the
potential role of political affiliation. We hypothesized that individuals who identified with anti-
tax parties were primarily responsible for this pattern of preferences. Republicans generally hold
more negative views of taxes (American National Election Studies, 2004) and political affiliation
has been shown to correlate with attitudes towards taxes (Hardisty et al., 2010; Wahlund, 1992),
as well as with a wider range of individual differences (see Jost, 2006, for a review).
Additionally, we sought to determine whether tax aversion extended to a different type of tax and
to an alternative time cost.

Experiment 2a

Participants. 213 participants were recruited online through Amazon.com’s Mechanical Turk
service (www.mturk.com). The responses of 17 participants were discarded prior to analysis,
because they either lived outside of the US or were repeat survey-takers. After these
eliminations, our sample consisted of 196 participants (58% female) who were 18-67 years old
($M = 33.47, SD = 11.42$).

Materials and procedure. Participants completed the survey online for a cash reward. They read
and responded to the following hypothetical scenario:

Imagine you have been working for an American company and your yearly salary is
$50,000 (before taxes). One day, you are offered the chance to lead one of the company’s
two European branches, each of which is located in a different European country.

Regardless of which country you choose to live in, your duties will be the same and your salary will be raised to $75,000. However, in Country A, your daily commute will be 30 minutes shorter each way. On the other hand, while most expenses are the same in both countries, [taxes are higher]/(food is more expensive) in Country A, and you would have to [pay $4,000 more in taxes]/(spend $5,000 more on food) there, each year, than you would in Country B. The two countries are similar in every other respect. Which country would you choose to live in?

Country A

Country B

The experiment consisted of a between-subjects design with participants assigned to one of two conditions ($4,000 tax cost vs. $5,000 food cost) in alternating order. Participants assigned to the $4,000 tax cost condition saw the additional cost stated in brackets and in bold above, while participants assigned to the $5,000 food cost condition instead saw the additional cost stated in parentheses and underlined.

The final page of the questionnaire asked participants to report demographic variables, including political affiliation, for which they selected one or more options from the following list: Democrat, Republican, Independent, Libertarian, Communist, Green, Socialist, and Other/None.

Results and discussion. Prior to analyzing the data, we grouped participants based on their political party affiliation. Specifically, we identified whether each political party is traditionally considered (relatively) pro- or anti-tax. We considered Democrat, Communist, and Socialist to be pro-tax and Republican and Libertarian and to be anti-tax. Independent, Green, and
Other/None were not grouped with either side (these groupings were chosen prior to viewing the data). 38% of participants aligned with pro-tax parties, 29% with anti-tax parties, and 33% remained ungrouped. In this experiment, we found that a minority of participants listed multiple party affiliations. However, none simultaneously identified with two (or more) parties that were incongruent regarding tax policy (e.g., no one selected both “Libertarian” and “Democrat”). Participants who listed one party from the pro-tax (or anti-tax) category and another from the ungrouped category were labeled as pro-tax (or anti-tax). Since our hypothesis concerned only individuals who identify with parties that are traditionally associated with pro- or anti-tax policies, our analyses were restricted to subjects from these two groups. Our final sample of interest consisted of 132 participants (58% female) who were 18-67 years old ($M = 34.22, SD = 11.94$).

Results of this study revealed differences across parties in their constituents’ preferences regarding the scenarios (see Figure 1). Those identifying with anti-tax parties demonstrated tax aversion: they were more than twice as likely to prefer living in the country with a longer daily commute when it enabled them to avoid a $4,000 tax (64%) than when it enabled them to avoid a $5,000 food cost (28%, $\chi^2 (1, N = 57) = 7.34, p = .007, \phi = .36$). This preference held despite the $1,000 lower absolute savings amount in the tax condition. In contrast, the preferences of pro-tax party members showed no significant effect of condition. Moreover, they demonstrated a (non-significant) directional preference for the longer commute when it meant avoiding the higher food cost than when it meant avoiding the lower tax cost (53% vs. 35%, $\chi^2 (1, N = 75) = 2.33, ns$).
Experiment 2a showed that political party affiliation was correlated with tax aversion among US residents. In Experiment 2b, we examined whether the same phenomenon would occur in a separate population with a different political system: UK residents.

Experiment 2b

Participants. 552 UK residents were recruited through the Maximiles online survey service (www.maximiles.co.uk; also known as “ipoints” -- see Reimers, 2009, for additional details). Prior to analysis, the responses of 40 respondents were discarded, either because they failed to complete the survey or spent less than 5 seconds reading and responding to the scenario of interest. These filters were included to help ensure that all participants took the study seriously. After these eliminations, our sample consisted of 512 participants (32% female) who were 22-65 years old ($M = 46.31, SD = 10.79$).

Materials and procedure. Participants completed this survey online as part of a larger set of unrelated questionnaires. They saw a scenario that paralleled Experiment 2a, but was tailored for the UK. Participants were told they were working for a British company rather than an American company, and they were offered the chance to lead one of the company’s two Continental European branches. All monetary values were changed from dollars to pounds (e.g., $5,000 was changed to £5,000).

Later in the survey, participants answered a series of demographic questions including one asking about political allegiance, for which they selected one of five options: “Right”, “Left”, “Centre”, “No opinion”, and “Rather not answer”.

Insert Figure 1 about here
**Results and discussion.** Tax aversion was present in the overall UK sample. Across respondents, significantly more participants chose Country B, adding 30 minutes to their daily commute to avoid an expense, when this expense was a £4,000 tax (56%) than when it was a £5,000 higher food cost (40%, $\chi^2 (1, N = 512) = 12.58, p < 4 \times 10^{-4}, \phi = .16$).

Next, we grouped participants based on their political allegiance. 24% of participants aligned with the Left (pro-tax), 33% aligned with the Right (anti-tax), 19% aligned with the Centre (moderate). Those stating that they had no opinion or would rather not answer were excluded from further analysis (since we had no *a priori* predictions for those groups).

The effects of political affiliation proved robust to country and party system (see Figure 1). Right-leaning respondents showed the strongest display of tax aversion, and were significantly more likely to accept a longer commute to avoid a £4,000 tax cost (63%) than a £5,000 food cost (41%, $\chi^2 (1, N = 167) = 8.07, p = .005, \phi = .22$). Those in the Centre showed no significant difference across conditions, but directionally showed a greater tendency to exert effort to avoid the tax cost (49% versus 36%; $\chi^2 (1, N = 95) = 1.54, ns$). Moving further along the continuum, Left-leaning respondents showed no difference in willingness to commute to avoid a tax (49%) or food cost (47%, $\chi^2 (1, N = 125) < 0.07$).

Experiments 2a and 2b together reinforce the presence of tax aversion and demonstrate that this phenomenon is strongest among members of anti-tax parties. In both the US and the UK, they showed stronger preferences for avoiding a tax-related cost than a tax-unrelated cost, even though the tax-unrelated cost was 25% higher. In contrast, members of pro-tax parties showed no difference in preferences for avoiding a cost based on its relation to taxes, while moderates fell somewhere in between.
In the next experiment, we examined a potential mechanism underlying tax aversion; namely, the salience of agreeable or disagreeable uses of tax dollars and its variation across political lines. We also sought to understand how deeply ingrained tax aversion is among members of anti-tax parties. Would it be possible to make members of anti-tax parties less tax averse, thereby bringing their preferences closer to those of pro-tax party members? We investigated these questions by reminding participants that taxes are used for programs that they both approve and disapprove of.

Experiment 3

Participants. 1,029 participants were recruited from 3 populations: (i) users of Amazon.com’s Mechanical Turk service (www.mturk.com) \((N = 887)\), (ii) users of craigslist.com, an online community forum \((N = 53)\), and (iii) passers-by at a shopping mall in the northeastern United States \((N = 89)\). Participants completed the study for payment or as volunteers. Prior to analysis, we discarded 86 participants who reported either living outside of the US or having previously taken the survey. After these eliminations, our sample consisted of 943 participants (62% female) who were 18-75 years old \((M = 33.66, SD = 12.43)\).

Materials and procedure. The materials and procedures for the online (i, ii) and mall (iii) participants were similar to those used in Experiment 1.

The experiment consisted of a between-subjects design with participants assigned to one of three conditions (positive prime, negative prime, no prime) in alternating order. In the positive prime condition, participants first read the following instructions:

“Many of us pay taxes because they are mandatory, but without appreciating how tax dollars benefit the tax-payer. Take a moment to consider the different ways in which your
tax dollars are well spent. For example, taxes are necessary for maintaining paved roads and bridges. Please write down the first three examples of positive uses of your tax dollars that come to mind. Please make sure to only list examples involving uses of your tax dollars that you approve. Do not list examples involving uses that you disapprove.”

In the negative prime condition, participants instead saw:

“Many of us pay taxes because they are mandatory, but without believing that tax dollars benefit the tax-payer. Take a moment to consider the different ways in which your tax dollars are badly spent. For example, taxes are used for bailing out big banks and funding lobbyists who are advancing specific political agendas. Please write down the first three examples of negative uses of your tax dollars that come to mind. Please make sure to only list examples involving uses of your tax dollars that you disapprove. Do not list examples involving uses that you approve.”

In both the positive and the negative prime conditions, participants responded according to the instructions, by listing three positive or negative uses of their tax dollars, respectively. Participants in the no prime condition did not complete the listing task, and instead moved directly to the next part of the study.

After the listing task, all participants saw and responded to the same question used in the tax condition in Experiment 2a, which asked whether they would be willing to pay an additional yearly sum in taxes in order to avoid a 30-minute longer daily commute. However, in the current study, the tax amount was changed to $5,000 (the scenario was otherwise identical). The final
page of the questionnaire asked participants to report demographic variables, including political affiliation, which also paralleled Experiment 2a, except that participants could only select one political affiliation from the list of options.

**Results and discussion.** Prior to analyzing the data, we eliminated responses from 23 participants who failed to follow the instructions and did not list three positive or negative uses of their tax dollars when asked to do so. While a wide range of responses were considered acceptable, omitted participants generally left the section blank or inserted unrelated words rather than tax uses. We then grouped participants based on their political party affiliation, using the same procedure as in Experiment 2a. 37% of participants aligned with pro-tax parties, 25% with anti-tax parties, and 38% remained ungrouped. Since our hypothesis concerned only individuals who identify with parties that are traditionally associated with pro- or anti-tax policies, our analyses were restricted to subjects from these two groups. Our final sample of interest consisted of 565 participants (62% female) who were 18-75 years old ($M = 33.44$, $SD = 12.52$).

As we expected, members of anti-tax parties were more likely than members of pro-tax parties to choose a longer commute in order to avoid paying additional taxes, aggregating across priming conditions (60% vs. 48%, $\chi^2 (1, N = 565) = 7.26, p = .007, \phi = .11$). However, the prime differentially affected the preferences of pro- and anti-tax party members (see Figure 2). Members of anti-tax parties were less likely to prefer the longer commute (and more likely to choose to pay the additional taxes) in the positive prime condition than in the negative prime condition (51% vs. 68%, $\chi^2 (1, N = 142) = 4.12, p = .042, \phi = .17$). In contrast, the listing task had no effect on the choices made by members of pro-tax parties (48% vs. 49% preferring the longer commute over higher taxes in the positive vs. negative priming conditions, respectively, $\chi^2 (1, N = 215) < 1$).
Following the negative prime, members of anti-tax parties were significantly more likely than members of pro-tax parties to choose the longer commute over the higher tax (68\% vs. 49\%, $\chi^2 (1, N = 176) = 6.41, p = .011, \phi = .19$). A similar result was obtained in the no prime condition, but at a marginal level of significance (59\% vs. 47\%, $\chi^2 (1, N = 208) = 2.74, p = .098, \phi = .12$). However, the effect of party affiliation disappeared in the positive prime condition, where members of anti- and pro-tax parties were equally likely to prefer a longer commute over higher taxes (51\% vs. 48\%, $\chi^2 (1, N = 181) = .10$). This effect could have been driven either by the descriptions presented in the listing tasks themselves or the examples that participants generated in response to this priming procedure (or a combination of the two). In either case, the prime consisted of negative or positive associations with the use of tax dollars.

These results suggest several interesting differences between members of pro- and anti-tax parties, in terms of the accessibility and acceptability of tax uses. First, the results suggest that members of pro-tax parties are generally more aware and accepting of the fact that their tax dollars are used in both positive and negative ways. This would explain why the listing task had no effect (in either direction) on their preferences. In contrast, the results suggest that negative uses of taxes are more accessible (and less acceptable) to members of anti-tax parties than are positive uses. This would explain why reminding participants of positive uses of their tax dollars (in the positive prime condition) increased acceptance of the higher tax among anti-tax party members, bringing their responses in line with the preferences of pro-tax party members. Furthermore, these results suggest that anti-tax party members may also be more receptive to
additional examples of negative tax usage, thereby enhancing their dislike of taxes, as we see in the negative prime condition.

A follow up survey was conducted on a separate sample of respondents\(^2\) to determine whether pro-tax party members are more aware of positive uses of tax dollars, more accepting of the government using their tax dollars in ways that they disapprove of, or both. When asked whether they believed their tax dollars were used in ways that they approve of or in ways that they disapprove of, significantly more pro-tax than anti-tax party members responded that this money was used in ways they approve of (43\% vs. 7\%, \(\chi^2(1, N = 125) = 17.85, p < 2 \times 10^{-4}, \phi = .38\)). However, when asked to rate how they feel when their tax dollars are used in ways that they disapprove of on a 1 to 5 scale (where 1 = “very angry” and 5 = “very satisfied”), pro- and anti-tax party members reported similar emotions (1.95 vs. 1.86, \(t < .7\)). This suggests that, compared to members of anti-tax parties, those who identify with pro-tax parties either approve of a higher portion of the ways that their tax dollars are spent or that these positive uses may be more salient to them. The pattern of results obtained in the priming study thus appear to be driven by differing beliefs about tax usage rather than affective reactions to disapproved uses.

In sum, pro-tax party members may be more aware of the fact that their tax dollars are used in ways that they both approve and disapprove of. In contrast, positive tax uses may come as a comforting surprise to anti-tax party members, while negative tax uses may reinforce their existing skepticism. It would seem that, by virtue of their skewed view of tax spending, members of anti-tax parties may actually have more malleable attitudes toward tax policies. The fact that we can alter the preferences of Republicans and Libertarians by merely reminding them of some positive (or negative) functions of taxes suggests that their views on taxes are not entirely based on stringent, deeply-held principles.
One aspect of our sample worth noting is that a higher number of pro-tax party members completed the positive prime condition than the negative prime condition ($N = 116$ vs. $99$), while a higher number of anti-tax party members completed the negative prime condition than the positive prime condition ($N = 77$ vs. $65$). Although neither of these distributions is significantly different from chance (both binomial test $ps > .27$, with the null hypothesis being that members of pro- and anti-tax parties are equally likely to complete the positive or negative prime condition), a modest selection bias may be present and could be partly influencing our results.

Far from negating our findings, however, such a bias would be consistent with our basic hypothesis regarding party affiliation. It would imply that members of pro- and anti-tax parties hold such fundamentally different views on taxes that even their willingness to consider positive and negative tax uses is correlated with their political affiliation.

**General Discussion**

Across three experiments, we demonstrated that individuals in both the US and the UK exhibit tax aversion. Participants preferred exerting effort to avoid a tax-related cost over a higher cost that was labeled as unrelated to taxes, and this tendency was most prevalent among respondents who identified with anti-tax political parties. Differences across parties were present even though, crucially, the political relevance of the choices was not made explicit in our scenarios (political affiliation was always elicited after participants revealed their preferences regarding tax avoidance). Furthermore, we showed that instructing members of anti-tax parties to consider positive uses of their tax dollars led them to make the same choices as members of pro-tax parties. Our results show that people dislike taxes for reasons that extend beyond monetary costs, and relate to political and ideological factors. Interestingly, this suggests a potentially
broader relationship between political affiliation and personal financial choices that may be
worth exploring in future studies.

**Implications.** Marketers, economists, policy-makers, and governments may benefit from
considering tax aversion as a driver of financial behavior. For marketers, the use of tax-free sale
strategies may be more effective than discounts taken from the cost of a good, as we showed in
Experiment 1. While standard economic theories concerning the behavioral impact of taxation
assume decision-makers 'rationally' adjust their behaviors to the financial costs of taxes, our
results suggest that many people have an (economically) irrational aversion to taxes that can alter
their choices disproportionately relative to financial cost. Economists may consider including tax
aversion in their models; for example, by adding a parameter to adjust for a behavioral avoidance
of taxes that extends beyond their monetary costs. Policy-makers and academic theorists
interested in predicting the impact of tax legislation on behavior, and projecting corresponding
tax revenues, may therefore benefit from incorporating non-monetary factors into their models.
Additionally, a new tax expected to raise revenue from a region with a disproportionately large
Republican population might result in greater behavior modification, and correspondingly lower
tax revenues, than a conventional model would project.

However, our findings also suggest that tax aversion may not create an intractable
difference in tax avoidance behavior across party lines. Instead, governments may be able to
mitigate tax aversion and minimize these political differences. Indeed, our results suggest that
public advertising and other outreach efforts to raise awareness of some widely favored uses of
tax dollars might be productive ways to increase tax revenue, particularly if these initiatives were
targeted at Republicans and Libertarians in contexts where they must make tax-related decisions
(e.g., at the beginning of tax return instructions). Such initiatives would be natural extensions of
the work carried out by the Internal Revenue Service’s Taxpayer Advocate Service. One goal of this branch of the IRS is to increase voluntary taxpayer compliance. In fact, they have explicitly stated that “[a]n understanding of the factors impacting taxpayer compliance is crucial to effective tax administration”, and have made this issue one of their areas of emphasis for 2011 (Taxpayer Advocate Service, 2010, p. 23)³.

Conclusions and future directions. Future research examining additional mechanisms that lead to tax aversion as well as clarifying the differing reactions to taxes and tax-use information across parties could prove fruitful in understanding and mitigating tax aversion. While we have identified different views towards tax uses as one factor contributing to tax aversion, we recognize that people dislike paying taxes for a wide variety of reasons. Additionally, it will be important to expand this research beyond the lab and into the field, both to demonstrate real-world validity and to begin providing a quantitative measure of the strength of the effect. For example, do Republicans take disproportionate advantage of tax holidays relative to Democrats? Are Right-leaning consumers more likely to live right outside city limits in order to avoid paying city taxes?

Open questions remain about whether people are equally tax averse in response to different types of taxes (e.g., sales tax vs. income tax), and whether differences across parties may become exaggerated or mitigated based on the type of tax. Findings from the third study could be extended to predict that Republicans may be less tax averse and behave more similarly to Democrats when the tax in question is earmarked for a particular expense that they approve of, such as tolls being used for bridge maintenance. In contrast, a federal income tax with no specifically identified purpose may amplify tax aversion among Republicans, while Democrats’ reactions would remain unchanged.
Issues of taxation are crucial since tax collection and use are essential for maintaining a functioning government and society. The vast majority of legislation depends on the collection of taxes to provide funding for implementing policy. Only by understanding how people perceive and react to taxes can a government properly tailor policy in response to this behavior.
REFERENCES


FOOTNOTES

1. Although this term has previously been used in varied contexts to mean several different things, we re-define it here. Our use of the term is most closely related –but not identical– to the one discussed by McCaffery and Baron (2006).

2. We recruited respondents following the approach used in Experiment 2b. Focusing on US residents affiliating with pro-tax (40%) or anti-tax (22%) parties produced a sample of 125 participants (67% female) aged 18-74 years ($M = 34.32, SD = 13.23$).

3. We thank Suzanne Shu for bringing this branch of the IRS to our attention.
Figure 1: The proportion of participants preferring a longer daily commute rather than a higher annual food or tax cost, as a function of party affiliation and country (Experiment 2).
Figure 2: The proportion of participants preferring a longer daily commute rather than a higher tax cost, as a function of party affiliation and prime (Experiment 3).