

A Appendix

A.1 Figures & Tables

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Table A.1: Summary of Tax Reporting Rounds

| Task | Description |
|----------------------------------|--|
| Clerical 1 | Earn income that is reported in Rounds 1 through 3 |
| Round 1: No Redistribution | Flat tax rate of 30% on all reported income Tax revenues are not redistributed |
| Round 2: Redistribution | Flat tax rate of 30% on all reported income Tax revenues are collected into a common fund, which is redistributed on an equal per capita basis to all subjects |
| Round 3: Prog. Redistribution | Flat tax rate of 30% on all reported income The general fund was be divided into two portions: One part (80%) will be allocated to portion A, and a second part (20%) will be allocated to portion B. All of the money in portion A will be distributed in equal parts to all of the participants, regardless of how much each participant earned, and how much he or she put into the fund. The money in portion B will be distributed in equal parts to the lowest 20% of income earners, regardless of how much each person in this group put into the fund. |
| Clerical 2 | Earn income that is reported in Round 4 |
| Round 4: National Government | Flat tax rate of 30% on all reported income Tax revenues are collected and sent to the National Government (Department of Treasury) |
| Clerical 3 | Earn income that is reported in Round 5 |
| Round 5: Pension Fund | Flat tax rate of 30% on all reported income Tax revenues are collected and sent to the National Pension Scheme. |
| Clerical 4 | Earn income that is reported in Round 6 |
| Round 6: Fire and Rescue Service | Flat tax rate of 30% on all reported income Tax revenues are collected and sent to the Fire and Rescue Department. |

Note: The data for the Quality of Government were provided by Kaufmann, Kraay, and Mastruzzi (2011).

Table A.3: T-test of the Compliance Rate in Each Round

| | Round 1 | Round 2 | Round 3 | Round 4 | Round 5 | Round 6 |
|-------|-----------|----------|---------|-----------|-----------|-----------|
| US | .54 | .60 | .63 | .60 | .64 | .70 |
| Italy | .46 | .64 | .64 | .49 | .55 | .58 |
| | (- 2.46*) | (1.3124) | (.296) | (-3.059*) | (-2.639*) | (-3.770*) |

Table A.2: OLS: Compliance Rate in each Round

| | (No Pot) | (Redistribution) | (Prog-red) | (Natl Gov) | (Pension) | (Fire) | (Natl Gov) | (Fire) | (Pension) |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| U.S. | 0.08 (0.04) | -0.04 (0.04) | -0.02 (0.04) | 0.10* (0.04) | 0.08* (0.04) | 0.13** (0.04) | 0.07 (0.04) | 0.04 (0.04) | 0.10* (0.04) |
| Trust | | | | | | | 0.05 (0.03) | 0.08** (0.03) | 0.06* (0.03) |
| Pro-red | -0.02 (0.02) | 0.03 (0.03) | -0.01 (0.03) | -0.04 (0.03) | 0.01 (0.02) | 0.00 (0.02) | -0.03 (0.03) | 0.02 (0.02) | 0.01 (0.02) |
| Duty to Pay | 0.09** (0.02) | 0.08** (0.02) | 0.07** (0.03) | 0.11** (0.02) | 0.11** (0.02) | 0.06* (0.02) | 0.10** (0.03) | 0.09** (0.03) | 0.05 (0.03) |
| Female | 0.29** (0.03) | 0.20** (0.03) | 0.16** (0.03) | 0.22** (0.03) | 0.22** (0.03) | 0.21** (0.03) | 0.22** (0.03) | 0.23** (0.03) | 0.21** (0.03) |
| Risk | -0.02** (0.01) | -0.01 (0.01) | -0.02** (0.01) | -0.02* (0.01) | -0.03** (0.01) | -0.04** (0.01) | -0.01 (0.01) | -0.02** (0.01) | -0.03** (0.01) |
| Past-participation | -0.14** (0.03) | -0.12** (0.03) | -0.13** (0.04) | -0.10** (0.04) | -0.15** (0.03) | -0.15** (0.03) | -0.10** (0.04) | -0.15** (0.03) | -0.15** (0.03) |
| Employed | 0.00 (0.04) | -0.01 (0.04) | 0.05 (0.04) | 0.02 (0.04) | 0.04 (0.04) | -0.02 (0.04) | 0.03 (0.04) | 0.05 (0.04) | -0.02 (0.04) |
| Income | -0.00 (0.00) | 0.00 (0.00) | -0.00 (0.00) | -0.00 (0.00) | -0.00 (0.00) | 0.00 (0.00) | -0.00 (0.00) | -0.00 (0.00) | 0.00 (0.00) |
| Age | 0.01 (0.00) | 0.01 (0.00) | 0.00 (0.00) | -0.00 (0.00) | 0.00 (0.00) | 0.01 (0.00) | 0.00 (0.00) | 0.01 (0.00) | 0.01* (0.00) |
| Constant | 0.46** (0.15) | 0.56** (0.14) | 0.82** (0.14) | 0.62** (0.14) | 0.64** (0.13) | 0.62** (0.13) | 0.62** (0.14) | 0.64** (0.13) | 0.61** (0.13) |
| Observations | 691 | 691 | 691 | 690 | 692 | 692 | 690 | 692 | 692 |
| R^2 | 0.18 | 0.11 | 0.09 | 0.13 | 0.17 | 0.16 | 0.13 | 0.18 | 0.16 |
| Trust Control | NO | NO | NO | NO | NO | NO | YES | YES | YES |

Robust standard errors in parentheses

** p<0.01, * p<0.05

Figure A.1: Tax Morale

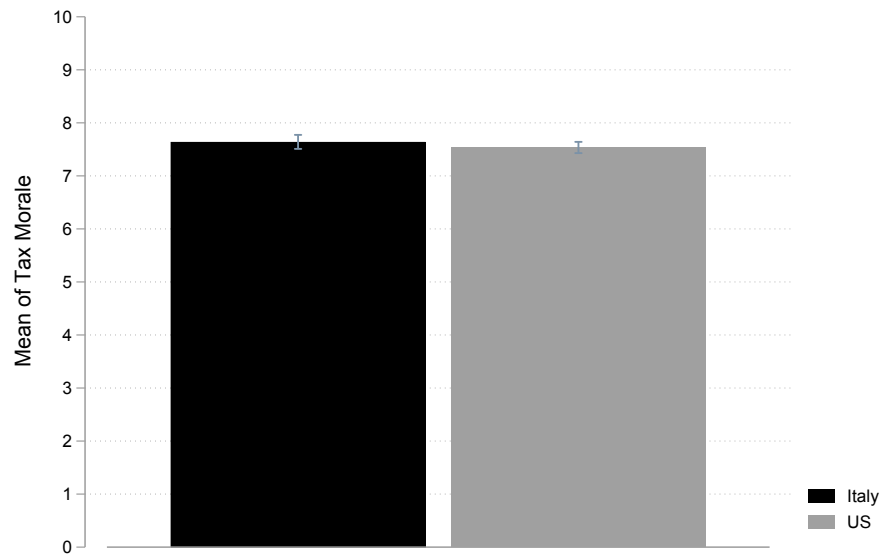


Figure A.2: Quality of Government

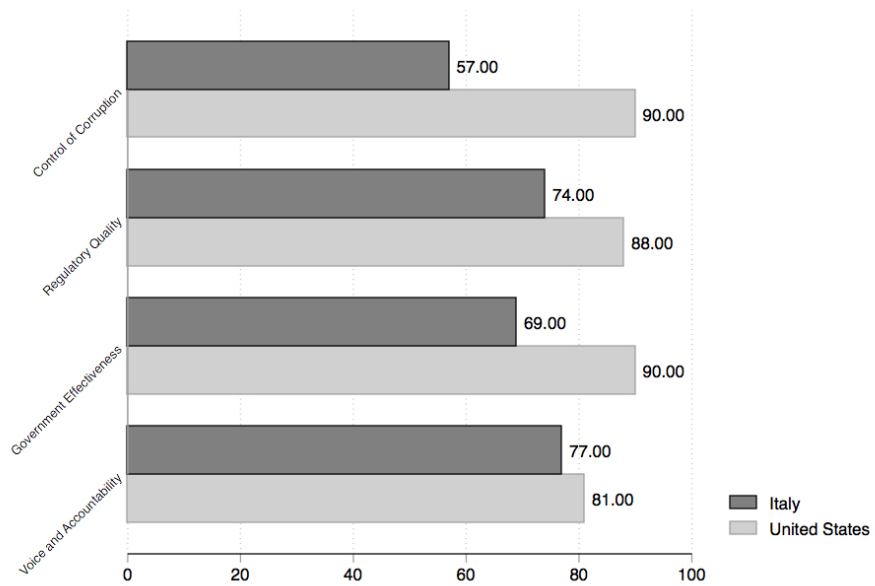


Figure A.3: Clerical Task

| | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Remaining Time [sec]: 29 | | | | |
| Row number | ID number | Last name | First name | Vote |
| 1 | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="button" value="NEXT"/> | | | | |

Figure A.4: Reporting Screen

REPORT YOUR EARNINGS

Please report your earnings for tax purposes.

The relevant rules in this round are summarized in the box below.

- Based on the number of rows you copied during the clerical task, your earnings are 0 currency units.
- The tax rate is 30%
- The audit probability is 5%
- If audited you will pay a fine equal to 2 times any taxes avoided.

Report your earnings here:

You cannot report more than your earnings.

When you are finished reporting your earnings, please press "Continue."

Figure A.5: Payment Screen

FINAL RESULT

Your cumulative payment for the first two stages is equal to 0.0 currency units, and your payment for the third stage is equal to 462 tokens. All together, and converted to dollars and rounded up, your final payment is equal to 4 dollars.