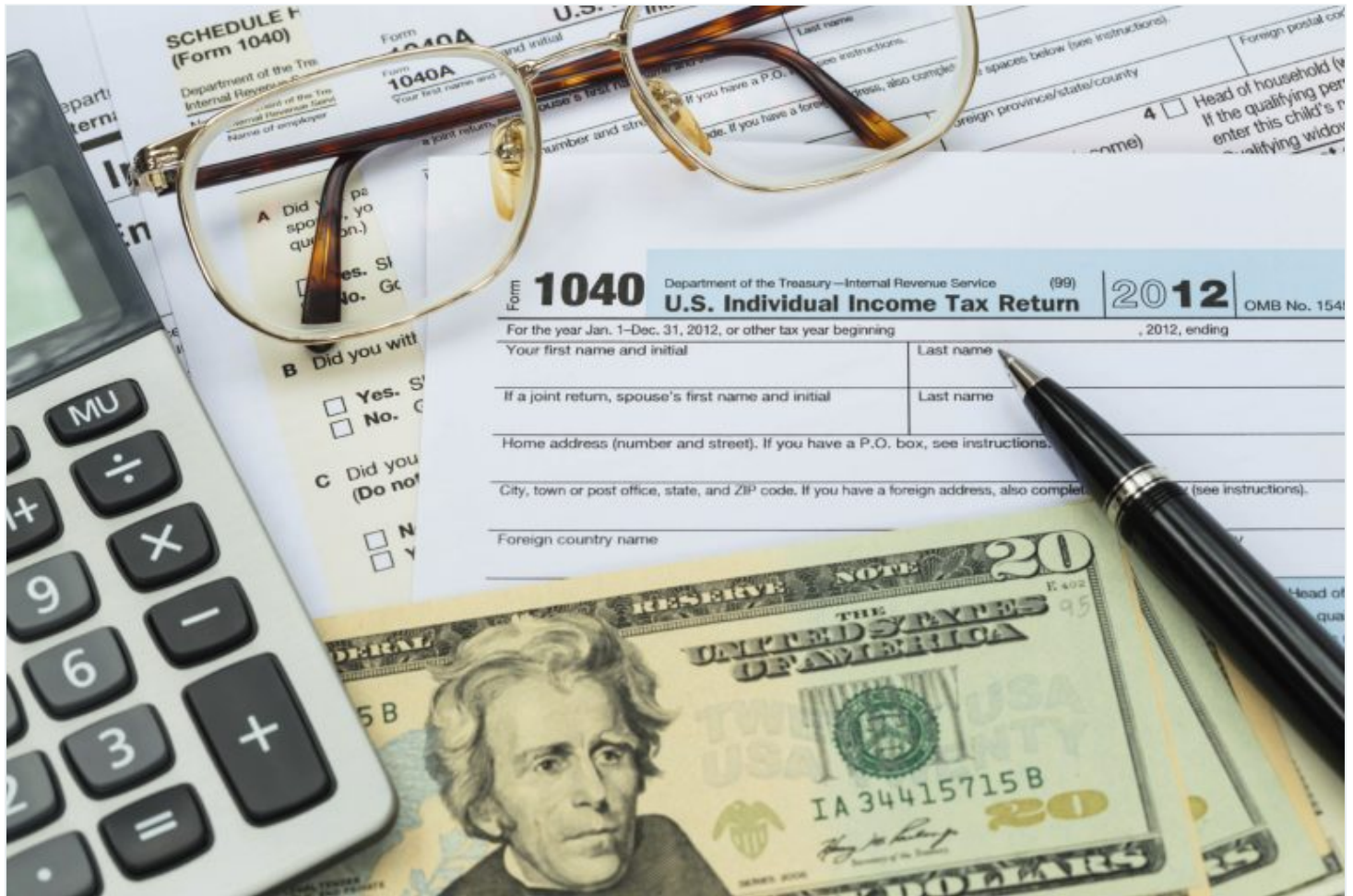


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Apr. 20, 2017



Everyone hates taxes, right? With the April 18 tax deadline just behind us, new [research](#) by University of Michigan [Ross School of Business](#) professors [Scott Rick](#) and [Katherine Burson](#) sheds new light on the psychology of taxes. Their results suggest that taxpayer views of social equity and government intervention affect their motivation to work when their wages are taxed.

“The natural assumption is that, if anything, having your income taxed would

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“When we looked at the overall impact of income tax on the motivation to work, we were surprised to see no significant effect,” says Burson, associate professor of marketing. “But then it occurred to us that people have really different beliefs about government intervention and the redistribution of wealth. For example, I told Scott that I was pretty sure my taxes were being misspent, but he believed that taxes were going back into his community. We were surprised by that divergence. When we looked at our participants’ views about government intervention and subsequent redistribution, we discovered a similar divergence.”

The authors ran two experiments that revealed the phenomenon. In the first, test subjects were asked to complete a counting task and randomly assigned to two groups. One group was simply paid 20 cents for every correct answer. The other group was initially paid 40 cents per correct answer, but with a 20-cent “tax” deducted to pay students participating in another study who couldn’t earn their own money. Participants could quit the task, which was tedious, at any time.

They then took a test to gauge their opinions on social equity, redistribution, and the role of government.

The results showed that taxes were de-motivating to people opposed to redistribution or government intervention (or both) — they quit the task earlier — but motivating to those in favor of redistribution and government intervention.

A second experiment determined if those motivated by the tax were just “being nice” or truly felt a motivational call to duty when taxed. In this test there were three groups — no tax (20 cents/correct answer), tax (30 cents/correct answer minus a 10-cent tax), and a “match” group told that each correct answer would earn them 20 cents and generate 10 cents for other students (to be paid by the administrators).

The match group wasn't motivated any more than the control group regardless of

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The results suggest that people who believe in redistribution and government intervention would benefit from reminders of what their tax dollars pay for. In addition to filing tax returns, Rick and Burson suggest that a reminder note might be useful to send along with the receipt. It could either thank them for their contribution or inform them on what taxes help fund.

For those de-motivated by an income tax? Perhaps there are ways to emphasize the fact that not all tax revenue pays to solve social ills — that it funds defense and infrastructure.

“People don't always know where their tax money goes, so they imagine what happens with it,” Rick says. “Information on what it pays for, framed the right way, might help people with both views.”

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