



COMMENTARY NO. 484

The Knowledge Deficit about Taxes: Who It Affects and What to Do About It

Weak understanding of taxes lowers the level of trust citizens have in the tax system. This can translate into higher rates of tax evasion or avoidance, raising the cost of taxation for everyone. It can also lead to the failure of social programs to reach their intended targets.

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The Study In Brief

Tax professionals argue that the tax system is too complex for ordinary taxpayers and that this sometimes makes their work for clients more educational than strategic. Tax complexity is not only a headache for these professionals but also a source of inefficiency and unfairness in our tax system as not every citizen understands it to the same degree. We use the tax system to support our retirement, education and poverty-reduction public programs. Failures of the tax system affect these programs as well. Weak understanding of taxes has also been shown to lower the level of trust of citizens in the tax system. This lower level of trust can translate into higher rates of tax evasion or avoidance, raising the cost of taxation for everyone.

Canada has experience assessing the financial literacy of its citizens and is developing policies to raise it. This issue is considered strategic as financial tools and markets become more and more complicated and our population is aging. The tax system is a financial tool that citizens must know how to use as much as mortgages or pension funds are. Drawing from the research on financial literacy, we aim to develop a method to measure "tax literacy." We evaluate, with the use of a survey administered by the polling firm Crop to Quebec citizens, the knowledge and skills of citizens concerning fiscal matters, understood broadly to include direct and indirect taxation as well as social transfers. Age, education and income are associated with higher knowledge of these matters, but not gender or being self-employed. Higher tax literacy is associated with a higher propensity for taxpayers to produce their tax return themselves rather than with the help of a professional. It also appears that women tend to underestimate their understanding of tax.

Tax literacy, and the methods for its measurement, are a new tool to assess the failures of certain policies such as the Children Fitness Tax Credit or the Canada Learning Bond to reach their target audiences. More generally, weak understanding of taxes contributes to lowered trust in our tax system, which underpins our social bonds. Assessing this issue is a first step towards making our tax system fairer and more efficient.

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Tax literacy can be conceived as a subset of financial literacy, which has been the object of a lot of attention. Tax literacy is a worthwhile subject of investigation on its own because it affects two public-policy areas that are not the primary concerns of financial literacy research: tax compliance and the effectiveness of social programs.

Since the financial crisis, there has been renewed interest in the ways citizens interact with financial markets and the tools they offer. Governments across the developed world have deployed important resources in order to study and improve their citizens' knowledge and skills around financial markets. In other words, raising their "financial literacy."

Canada had its own Task Force on Financial Literacy, which published its report in 2010. One issue it highlighted was that a lack of knowledge or skills affected both the use of financial products and the use of government programs. Both taxation and government transfer policies are very complex financial tools that can leave citizens feeling helpless. This weakens these policies' efficiency and fairness while undermining a government's legitimacy.

Assisted by a survey administered by the polling firm CROP, this *Commentary* attempts to evaluate Quebec residents' knowledge and skills concerning tax matters, understood broadly to include direct and indirect taxation as well as social transfers. First, we show the policy necessity of such an inquiry. Then, we present the indicators used to measure "tax literacy," assess how the results vary among different population subgroups, and discuss ways that policy development and research could change in response to challenges posed by weak tax literacy.

THE IMPORTANCE OF TAX LITERACY FOR PUBLIC POLICY

Many social transfer programs rely on the tax system to deliver benefits to families and citizens. The ability to correctly report one's income and assess one's eligibility for programs is key to making sure a citizen receives all the benefits he or she is entitled to. A good understanding of the tax system has also been shown to increase taxpayers' inclination to comply with their full taxpaying obligations. This effect can be linked to a lower chance of errors in income reporting but also to greater confidence in the tax system and its fairness.

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The results presented in this *Commentary* are based on data used in Genest-Grégoire, A., Godbout, L. et Guay J.-H. (2016) *Littératie fiscale: exploration du concept et bulletin de la population québécoise*. (Cahier de recherche No. 2016-03). Université de Sherbrooke, Chaire de recherche en fiscalité et en finances publiques, 55p. The production of that research paper was funded by an ongoing grant from the Government of Quebec's Ministère des Finances.

Both of these lead to higher tax intake at lower cost for governments.

Social Programs

The take-up of social programs was identified as an issue worthy of analysis by the Task Force on Financial Literacy in 2010 (p 11). In a research paper written at the request of the task force, Shillington (2010) estimates that:

- Roughly 160,000 eligible seniors do not receive the Old Age Security benefit (representing almost \$1 billion in pre-tax benefits);
- About 150,000 eligible seniors do not receive the Guaranteed Income Supplement;
- Approximately 55,000 eligible Canadians are not receiving Canada Pension Plan benefits;
- The take-up rate for the Canada Education Savings Grant is just 40 percent; and
- The median Registered Retirement Savings Plan (RRSP) contribution represents only six percent of the total eligible room available [...]

The author also highlights results from Shillington (2003) pointing to the fact that a significant portion of low-income seniors are over-saving for retirement; their savings will claw away the public benefits they are entitled to receive in retirement. This situation is attributed to misunderstanding of the way these benefits and RRSPs work in practice.

Although most of the publicly available data concerns seniors and programs that are not completely integrated into the tax system, researchers have uncovered clues that such a situation is frequent in the usage patterns of social programs through the tax system. For example, Fisher et al. (2013) have used custom survey tools developed by Statistics Canada to show that lack of awareness about the program is one of the main reasons the Children's Fitness Tax Credit has not proven an efficient policy tool.

Tax Compliance

The literature on tax compliance includes mostly experimental studies, such as Eriksen and Fallan's (1996) quasi-experiment aiming to observe the effect of greater knowledge about taxation on attitudes toward taxes. It showed that increased knowledge was associated with an increased perception of fairness in the tax system, as well as more negative attitudes toward participants' own avoidance behaviour.

An experiment conducted by Alm, Cherry, Jones and McKee (2010) showed that giving taxpayers clear information on their tax liability as well as the precise amounts they can claim as income deductions or tax credits make them significantly less likely to underreport their income or to simply not submit a tax return, hoping not to get caught. In this context, clear information means eliminating the ambiguity that taxpayers are confronted with in the tax system's complexity.

Marandu (2015) and Niemirowski (2003) and their respective colleagues associate knowledge about taxation with attitudes and beliefs held by taxpayers and show that they are inversely linked to the probability of engaging in tax evasion. For these authors, knowledge of fiscal matters is akin to the perception of fairness of the tax system and contributes to individual compliance with this system.

Kirchler, Hoelzl and Wahl (2008) incorporate this logic in their "slippery slope" model of tax compliance. They posit that the interaction between the powers of taxation authorities and taxpayers' confidence toward these authorities creates a reinforcing loop that explains the level of tax evasion behaviour. In these authors' model, knowledge of taxation can make this effect spiral positively by making taxpayers more confident in the tax system, which then makes a tax authority's power more effective through greater taxpayer cooperation. This co-operation, which can manifest itself through whistleblowing by those who witness suspicious tax reporting behaviour, for example, leads to greater overall compliance with the tax regime.

TAX LITERACY: A DEFINITION

The specific study of tax literacy requires a definition that is distinctive but still related to the definition of financial literacy. The Task Force on Financial Literacy (2010, p11) posited that among other skills, financially literate individuals are able to:

Deal with local, provincial and national government programs and systems that are often complicated and confusing, even to experts;

[and]

Make the best use of the resources they have, including workplace benefits, private and public pensions, tax credits, public benefits, investments, home equity, access to credit and consumer spending power.

By considering these skills and the general definition of financial literacy established by the task force, we define tax literacy as having the knowledge, skills and confidence to make responsible tax decisions.

Measuring Objective Knowledge

A practical measure of knowledge about taxation can be designed much as was done for the objective aspects of financial literacy during the last decade, these aspects having been thoroughly surveyed by researchers. We thus identified three main fields of objective knowledge about taxation, one of which can be further broken down into three components:

- Level and coverage of consumption taxes.
- Progressivity of personal income tax.
- General functioning of personal income tax:
 - o Coverage of different sources of income;
 - Deductions' and tax credits' functioning mechanisms;
 - o Difference of effects for different individuals.

Many of these items partially capture basic mathematical skills or numeracy but many also rest on general knowledge. To produce a measure that is as universal as possible, we have chosen not to evaluate knowledge about certain types of taxation, such as business taxation.

Measuring Subjective Knowledge

Tax literacy doesn't just concern abstract notions; it is also a trait that manifests itself through acts that require individuals to possess certain knowledge, to know how to use it and to have the confidence to do so. It must, therefore, be operationalized both from an objective and a subjective point of view. This second aspect is partially explored in the compliance literature, where knowledge about taxation is examined in a subjective way. The propensity for tax evasion, for example, is considered to depend not on knowledge about taxation but on taxpayer's perceptions of their knowledge about taxation. This difference is crucial when looking at the complexity of the tax system. The compliance literature thus informs us about the *perception* that taxpayers have of their own knowledge of this system.

We split the subjective aspect of tax literacy into three operational components:

- self-perceived knowledge about taxation;
- tax reporting behaviour, for example, whether tax returns are prepared by a professional;
- media consulted on subjects pertaining to taxation.

This combination of both subjective and objective elements allows us to consider tax literacy with tools that are simple, that encompass the concept in a complete way and that are easy to transpose in other settings.

MEASUREMENT METHODOLOGY

We measured tax literacy using a survey administered by the polling firm CROP as part of a monthly general survey. Data collection took

Table 1: Subject Matters Tested					
Subjective and Behaviour Measures	Knowledge about Income Tax	Knowledge about Consumption Taxes	Knowledge about Progressivity		
 Self-reported level of knowledge about taxation Tax preparation behaviour Media consulted on subjects pertaining to taxation and frequency of consultation: Dedicated programs Opinion pieces Blogs or social media Official sources 	 Capital gains taxation on the sale of a residence Taxation of various types of income: Withdrawal from RRSP Withdrawal from TFSA Employment insurance benefit Lottery gains Child support payments received 	 Rates of GST and QST Coverage of different goods and services by the GST and QST: <i>Potatoes</i> <i>Restaurant meal</i> <i>Sweater</i> <i>Detective novel</i> <i>Dentist exam</i> 	 Presence of different tax rates for different people Varying effect of a deduction depending on the level of income Tax rate at the top income tax bracket Marginal taxation of a salary gain Income splitting between spouses 		

Acronyms: RRSP – Registered Retirement Savings Plan, TFSA – Tax Free Savings Account, GST – Goods and Services Tax, QST – Quebec Sale Tax.

place between October 15 and 18, 2015, using a web panel consisting of residents of the province of Quebec. One thousand people completely answered the survey, which had a margin of error of 3 percent.

Results have been weighted to reflect the distribution of gender, age, region, language and education of the adult population. The sample was also weighted using a range of questions taken from CROP's annual probabilistic survey of values. The sample is thus weighted according to socioeconomic as well as attitude variables. This type of sampling is commonly used in financial literacy research (Gatherhood & Weber, 2017, Porto & Xiao, 2016), most notably in the U.S. National Financial Capability Study (2015), which uses the same panel-building tools as CROP.

On top of basic identification questions, respondents answered test questions about their subjective perception of tax matters as well as on the three fields of objective knowledge described above (Table 1). The exact wording of the questions can be found in the Appendix. Knowledge and behaviour questions measure subjective tax literacy while income tax, consumption taxes and progressivity questions capture objective tax knowledge in three broad categories. Questions concerning fiscal tools related to saving and retirement planning are very similar to ones included in previous studies about financial literacy and retirement (Clark, Lusardi & Mitchell, 2014 and 2015, Heinberg et al., 2014).

RESULTS FOR QUEBEC'S POPULATION

Individual results were summed up for the three fields of objective knowledge (income tax, progressivity and consumption taxes) and the sums of these three scores gives a global score assessing objective tax literacy (Table 2). The average global score, 55 percent, is relatively low and respondents seemed to struggle most with issues of progressivity. We produced statistical regressions on these scores using variables of interest, as has been done in

Table 2: Average Scores				
Knowledge about Income Tax	Knowledge about Consumption Taxes	Knowledge about Progressivity	Global Score	
percent				
60 56 49 55				
Source: Tax literacy surrey (CROP), see Appendix for regression details; authors' calculations.				

financial literacy research (Figure 1, see Appendix for details and results).

Income, age, education and sources of information consulted are discrete variables and we also included variables for gender, having children at home, being self-employed and being a homeowner. The consultation of sources of information variable is constructed as a score compiling the consultation of four sources at three possible levels of interest. The age variable has been included to capture a potential non-linear effect on scores, as suggested by the literature. Respondents that chose not to disclose their income were assigned a predicted value (based on regression analysis of individual characteristics). This method limits the potential bias if individuals with very high or very low income were more likely to refuse to disclose their income and were thus present in abnormally low numbers in the regression sample.

Results in the income-tax category were positively and significantly linked with respondents' family incomes. A \$20,000 increase in family income is associated with 2.5 percent higher results. Being a homeowner is associated with higher scores and being a woman with lower ones. Higher information consultation and more education are both positively linked to better scores regarding income-tax knowledge, but we found no relationship between income-tax knowledge and self-employment or having children at home. Age is associated with income-tax knowledge and the relationship takes the shape of an inverted "U."

Knowledge of consumption taxes shows significant links to both education and age. Again, the age relationship takes an inverted "U" shape. This kind of knowledge appears to be unrelated to gender, income or self-employment. Having children seems to have a significant negative effect on knowledge about consumption taxes. Knowledge about consumption taxes also is positively associated with being a homeowner and having a higher level of information consultation.

Knowledge about the progressivity of income taxes is positively linked with family income as well as education. Having children or being a woman is associated with a lower score on this aspect, in a significant way. Homeowners show higher knowledge of tax progressivity, but being selfemployed presents no significant relationship. The consultation of information sources is positively correlated with knowledge about progressivity, but age shows no clear link.

The fact that tax knowledge seems to rise with income can be logically explained by the growing place occupied by taxation as income rises under a progressive tax system. The progression of knowledge with age can also be explained from the perspectives of human capital acquisition and retirement planning. We also observe the non-linear relation between knowledge and age described by Lusardi and Mitchell (2011), with higher knowledge for groups in the middle of



the distribution and lower levels for older and younger respondents. This effect is, however, not present when looking specifically at knowledge about income-tax progressivity. The lower level of knowledge for women concerning financial literacy (Lusardi & Mitchell, 2011) is not present in a significant way in the case of tax literacy. The only section of our survey where such a gender-based difference is present in a significant manner is the one about income-tax progressivity.

Having children is associated with lower results in all sections. The literature is mute on

why this would be the case. That homeowners are more knowledgeable but the self-employed are no different from other respondents is also puzzling. Both of these situations imply added tax obligations and would thus logically be associated with higher acquired knowledge by the people in these situations to respond to them. The fact that this effect doesn't manifest for both classes raises questions, especially considering that previous research has shown the self-employed to have higher than average financial literacy. The higher measured tax knowledge associated with higher education attainment or higher levels of information consultation is very coherent with the human capital model.

We don't observe differences in the accuracy of respondents' prediction of their tax knowledge between age groups as Lusardi and Mitchell (2011) observed for financial literacy. Older people don't seem to over-evaluate their level of knowledge before taking our test. The only factors that seem to have an impact on self-reported knowledge level, beyond objectively-measured knowledge, is gender and the level of consultation of information sources about taxation. It would be logical that people who are exposed to more information about taxation have a better understanding of their relative level of knowledge of the subject since they can compare it to experts' knowledge. We don't have an explanation for women's systematic underestimation of their own knowledge. It is also worth mentioning that scores on income-tax progressivity are not associated with self-reported knowledge about taxation. This would imply that people underestimate the importance of this aspect of taxation, which would be coherent with the generally lower grades obtained for this section.

Finally, we looked at the link between our measure of objective tax knowledge and individual behaviour, in this case producing an income-tax return. All three aspects of objective knowledge are linked to a higher propensity to produce a tax return by one's self, even when accounting indirectly for the complexity of the return through variables such as self-employment.

CONCLUSION: AVENUES FOR CHANGE

Tax literacy seems an obvious concept to people exposed to financial or public-policy issues, yet no one has yet bothered to define it formally or produce data specifically on the subject. Our survey measurement of tax literacy shows less than stellar knowledge of the personal and consumption tax system, particularly with respect to taxpayers' understanding of tax progressivity.

Among individual characteristics, age, family income and education level are the most helpful predictors of better tax literacy. Frequent consultation of tax-related information in the media is also associated with stronger knowledge. Surprisingly, having children is associated with lower tax literacy scores.

Most of the research on the intersection of financial and tax knowledge and the effectiveness of public policy is hampered by a lack of public data. An aging population has put some pressure on governments to publish more information about the situation of seniors and programs that are targeted to them, but it is not the norm. Experimental studies on tax compliance need to be followed by statistical analysis based on real-world information, such as administrative tax data and attitudes-andknowledge surveys. Governments need to make more data on the use of public programs and their intended recipients available for research.

The potential problems posed by tax and public-program complexity can also be addressed through better education initiatives. These can take the form of changes in school curriculums, employer-provided ongoing education, better training for financial professionals and public education campaigns. The report by the Task Force on Financial Literacy and the national strategy that followed highlight steps to pursue in that direction.

Complexity can also be greatly reduced at its root. This aspect is of particular importance in tax matters, where errors by tax filers can lead to severe consequences. Programs that require less information or active involvement by recipients have better take-up rates without the need for more education programs. Behavioural economics has been put to use in efforts to make access to public programs more straightforward or intuitive through "Nudge Units" such as Britain's Behavioural Insights Team, with some success. The use of multiple sources of administrative information, such as tax information, by public bodies can also greatly reduce the need for citizens to be informed about the specific details of multiple programs. This collaboration enables innovations such as autoenrolment, which can raise take-up substantively.

Take Canada's Learning Bond, a program that offers grants to low-income parents who open Registered Education Savings Plan accounts for their children. The bond can reach a total value of \$2,000 toward higher education payments without the parents ever having to contribute their own money. The British equivalent to this program has a take-up rate of nearly 100 percent of the target population because of its automatic enrolment, while Canada's grant reaches just 32 percent (ESDC, 2015, p. 36) of the families it seeks to help.

The complexity of the tax system also directly contributes to citizens' mistrust of public authorities; it is strongly associated with tax avoidance. People don't trust systems they can't understand. Trust is paramount to a wellfunctioning tax system that collects revenue fairly but also at the lowest possible cost to the taxpayer.

Tax practitioners have been saying for years that the average taxpayer doesn't understand our tax system, and that a large part of their job is now educational. Our use of a surveybased measurement of tax knowledge and skills shows that this description fits reality, especially concerning the progressivity aspects of our tax system. This low mastery of our tax architecture has important implications for the effectiveness of our various transfer and incentives public programs. Policies that use the tax administrative apparatus as a delivery system cannot reach their full potential if citizens don't understand how taxes work in general and how they are affected specifically.

APPENDIX

I-QUESTIONS ASKED (WEIGHTED PERCENTAGE OF RESPONDENTS FOR EACH POSSIBLE ANSWER)^a

1: To what extent are yo	1: To what extent are you familiar with the tax measures that effect your personally?				
Dans quelle mesure conn	aissez-vous les mesures fisc	ales qui vous touchent pers	sonnellement?		
Not Familiar at All	Not Very Familiar	Somewhat Familiar	Very Familiar		
10.8	32.7	47.3	9.2		
2: For the last fiscal year	r, did you:				
Pour la dernière année fi	scale, avez-vous?				
Fill out your income tax return yourself (with a computer program or by hand)	Have your income tax return filled out by a friend or family member	Have your income tax return filled out by a professional	You didn't fill out an income tax return		
37.3	18.2	40.4	4		
3: When it comes to inf	forming yourself on tax iss	sues, do you consult any o	of the following informat	tion sources?	
En vue de vous informer	en matière de fiscalité, con	sultez-vous les sources d'in	formation suivantes?		
	TV or radio shows	that are devoted to economi	c or financial issues		
Never	Sometimes	Regularly			
41.9	48.7	9.4			
	Columns abou	t the economy or finance in	the mass media		
Never	Sometimes	Regularly			
40.4	47.1	12.5			
	Blogs, pages, or profi	les on social media about th	e economy or finance		
Never	Sometimes	Regularly			
64.7	30.3	5			
Official government publications about the economy or taxation					
Never	Sometimes	Regularly			
44.2	45.9	9.9			

a: French-to-English translation courtesy of CROP, the polling firm responsible for the survey.

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4: In your opinion, which of these income sources are taxable or non-taxable?				
Selon vous, lesquelles de d	ces sources de revenus sont i	imposables ou non imposal	bles?	
Withdraw	al from a Registered Retirem	ent Savings Plan (RRSP) o	ther than to study or to purch	ase a home
Taxable	Non-Taxable	I don't know		
69.4	19.8	10.8		
	Withdra	wal from a Tax-Free Saving	s Account	
Taxable	Non-Taxable	I don't know		
13.4	74.5	12.1		
	E	mployment Insurance Bene	efit	
Taxable	Non-Taxable	I don't know		
70.7	15.9	13.4		
		Lottery Winnings		
Taxable	Non-Taxable	I don't know		
22.9	66.4	10.7		
Child support received (after 1997)				
Taxable	Non-Taxable	I don't know		
37.3	34.3	28.4		

5: Based on the following list of products and services, state whether the Quebec sales tax (TVQ), the Goods and Services Tax (GST), or both taxes are applicable.^a

À partir de la liste des produits et services suivants, dites si la Taxe de vente du Québec (TVQ), la Taxe sur les produits et services (TPS) ou les deux taxes s'appliquent.

Bag of Potatoes				
Both	GST only	QST only	No Taxes	I don't know
2.9	3.1	13.9	71.3	8,8
		Restaurant Meal		
Both	GST only	QST only	No Taxes	I don't know
89.8	1.3	2.3	0.4	6,2

••••••

5: Continued				
		Sweater		
Both	GST only	QST only	No Taxes	I don't know
91.3	0.5	1	0.6	6,7
		Mystery Novel		
Both	GST only	QST only	No Taxes	I don't know
51.3	21.2	12.4	1.9	13,2
		Dental Exam		
Both	GST only	QST only	No Taxes	I don't know
38.6	3.6	3.7	31.7	22,4
6: Please indicate the following approximate tax rates or perceptions.				
Veuillez indiquer les taux approximatifs des taxes ou perceptions suivantes.				
		Goods and Services Taxes		

5%	Other rate	I don't know		
44.5	38	17.5		
		Quebec Sales Tax		
9.5% to 10% ^b	Other rate	I don't know		
38.9	44.7	16.4		
38.6	3.6	3.7	31.7	22,4

7: [True or False] All citizens pay the same tax rate on their income.

[Vrai ou Faux] Tous les citoyens paient le même taux d'imposition sur leur revenu

True	False	I don't know	
7.1	89.4	3.5	

8: [True or False] Quebecers are not taxed on gains obtained from the sale of their primary residence.

[Vrai ou Faux] Les Québécois ne sont pas imposés sur le gain réalisé lors de la vente de leur résidence principale

True	False	I don't know	
46.6	29.1	24.3	

9: [True or False] When you contribute \$1,000 to a Registered Retirement Savings Plan, the tax credit that you get is about the same regardless of your level of income.

[Vrai ou Faux] Lorsque vous cotisez 1000 \$ à un Régime enregistré d'épargne-retraite (RÉER), l'économie d'impôt que vous réalisez est la même peu importe votre niveau de revenu.

Goods and Services Taxes				
True	False	I don't know		
27.6	44.9	27.5		

10: [True or False] If your taxable income is \$100,000, the tax on your income will be \$50,000.°

[Vrai ou Faux] Si votre revenu imposable est de 100 000 \$, l'impôt sur le revenu s'élève à 50 000 \$.

Goods and Services Taxes				
True	False			
55.5	26.4	18.2		

11: True or False] If your taxable income went up by \$10,000, passing from \$30,000 to \$40,000, you would be left with \$5,000 more after paying income tax on your income.

[Vrai ou Faux] Si votre revenu imposable augmente de 10 000 \$, passant de 30 000 \$ à 40 000 \$, il vous restera 5 000 \$ de plus en poche après avoir payé votre impôt sur le revenu.

True	False	I don't know	
16.8	53.9	29.3	

11: Couple A is composed of someone whose income is \$100,000 and someone else who has no income. Couple B is composed of two people whose personal income is \$50,000 each. Which of the following statements best reflects the situation?

[Vrai ou Faux] Le couple A est formé d'une personne dont le revenu est de 100 000\$ et d'une autre personne qui n'a aucun revenu. Le couple B est formé de deux personnes dont le revenu personnel est chacun de 50 000\$. Laquelle des affirmations suivantes reflète le mieux la situation?

The two couples will pay the same total amount of income tax	Couple A will pay more income tax	Couple B will pay more income tax	I don't know	
29.9	31.9	14.7	23.5	

Correct answers in bold typeface. French version of questions in italics.

- a. The Canadian federal government and provincial governments' value-added taxes cover essentially the same goods and services, the provincial exemption on books showcased here is a notable exception.
- b. The actual rate is 9.975%. This range was allowed to take into account recent changes that modified both the rate and the way the tax is calculated in conjunction with the federal tax but maintained the overall tax burden faced by buyers.
- c. Questions 10-12 were accompanied by a fictional simplified tax scale that only included a 25% tax bracket for income up to \$50.000 and a 50% tax bracket for income above \$50.000. Participants were also specified that all income was employed work income and that no tax credits or income deductions were taken into account.

II-REGRESSIONS ON INCOME TAX, CONSUMPTION TAXES, PROGRESSIVITY AND GLOBAL SCORES

	Knowledge about Income Tax Score		Knowledge about Consumption Taxes Score		Knowledge about Progressivity Score		Global Score	
Variable	Coefficient	Standard Deviation	Coefficient	Standard Deviation	Coefficient	Standard Deviation	Coefficient	Standard Deviation
Children	-0.195**	(0.0955)	-0.404***	(0.113)	-0.256***	(0.0808)	-0.855***	(0.210)
Gender	-0.177*	(0.0940)	0.0443	(0.105)	-0.205***	(0.0793)	-0.338*	(0.204)
Self- Employed	-0.175	(0.178)	0.0521	(0.184)	-0.0931	(0.141)	-0.216	(0.370)
Homeowner	0.480***	(0.104)	0.175	(0.112)	0.149*	(0.0863)	0.804***	(0.221)
Family Income	0.113***	(0.0304)	0.119***	(0.0368)	0.110***	(0.0266)	0.342***	(0.0680)
Education	0.0963*	(0.0526)	0.283***	(0.0596)	0.264***	(0.0453)	0.644***	(0.118)
Information Sources Consultation	0.117***	(0.0224)	0.0790***	(0.0258)	0.0846***	(0.0193)	0.281***	(0.0512)
Age	0.591***	(0.164)	0.676***	(0.174)	0.0995	(0.125)	1.367***	(0.338)
Age ²	-0.0472**	(0.0205)	-0.0598***	(0.0230)	-0.00487	(0.0163)	-0.112**	(0.0437)
Constant	0.744**	(0.344)	0.915***	(0.354)	0.833***	(0.261)	2.491***	(0.705)
Number of Observations	1000		1000		1000		1000	
Adjusted R ²	0.206		0.138		0.145		0.256	

p-value : *** p<0.01, ** p<0.05, * p<0.1.

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