

“BIG BANG” TAX REFORM: UNLEASHING GROWTH IN THE CANADIAN ECONOMY

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ONLINE APPENDIX: A SURVEY OF THE LITERATURE AND KEY FINDINGS

Table A1: Corporate (CIT) and Personal Income Tax (PIT) Effects on GDP

Author (Year)	Publication	Context (if needed)	Key Result
Peterson and Blair (2022)	<i>Sage Journals</i>	Country Studied: US	Finds for each percentage point (ppt) increase in the top CIT rate reduces real GDP per capita by \$1,336, and for each ppt increase in the top PIT rate reduces real GDP by \$546.22
Mertens (2018)	<i>Federal Reserve Bank of Dallas</i>	Country Studied: US Looks at the individual, corporate, and international provisions of the 2017 <i>Tax Cuts and Jobs Act</i> (TCJA)	Real GDP growth increased 1.79 ppt in 2018
Kumar (2020)	<i>Federal Reserve Bank of Dallas</i>	Country Studied: US Looks at the effects of the TCJA	GDP growth increased 0.8 ppt and job growth increased 0.24 ppt in 2018
Ferede and Dahlby (2019)	<i>University of Calgary School of Public Policy Technical Paper</i>	Country Studied: Canada	Estimates 1 ppt reduction in provincial CIT rate increases GDP growth 0.12 ppt and increases real GDP per capita 1.2 percent
Ferede (2021)	<i>Fraser Institute</i>	Country Studied: Canada	PIT – Labour Market: Finds 1 ppt cut in top federal PIT rate raises the private employment rate by 0.25 percent
Mertens (2019)	<i>Federal Reserve Bank Dallas</i>	Country Studied: US Looks at the effects of the TCJA	CIT – GDP: 1.6 percent increase in real GDP
York et al. (2023)	<i>Tax Foundation</i>	Country Studied: US Looks at the effects of the TCJA	PIT – Labour Market: Wages decrease by 0.2 percent; adds 686,000 full-time equivalent (FTE) jobs GDP: 0.5 percent increase CIT – Investment: 1.4 percent increase in capital stock GDP: 0.7 percent increase Labour Market: Wages increase 0.6 percent; adds 143,000 FTE jobs
Duan and Moon (2025)	<i>American Economic Journal: Economic Policy</i> (conditionally accepted)	Country Studied: Canada Looks at the effects of 4 percentage point reduction in the provincial CIT rate for small manufacturing and processing firms in Quebec	Labour Market: employment increases 1.7 percent and average payrolls increase 2.3 percent. Investment: increases 3.2 percent
Lee and Gordon (2005)	<i>Journal of Public Economics</i>	Country Studied: Various	CIT – GDP: Finds a 10–percentage–point reduction in the CIT rate increases annual GDP growth rate by 1–2 percentage points

Table A2: Taxes and Investment

Author (Year)	Publication	Context	Key Result
Hartley et al. (2025)	<i>Hoover Institution</i>	Country Studied: US	CIT – Investment: Finds a 1 ppt reduction in user cost of capital leads to 1.27–2.39 ppt increase in investment rate
Chodorow-Reich et al. (2023)	<i>National Bureau of Economic Research (NBER)</i>	Country Studied: US Looks at TCJA	CIT – Investment: Firms facing average tax change increased domestic investment by 20 percent; 7.4 percent long-run increase in corporate capital stock
Gechert and Heimberger (2022)	<i>European Economic Review</i>	Country Studied: Various	CIT – Investment: 10 ppt CIT cut raises annual GDP growth by 0.2 ppt
Parsons (2008)	<i>Department of Finance</i>	Country Studied: Canada	CIT – Investment: 10 percent reduction in user cost of capital leads to 3 to 7 percent increase in capital stock

Table A3: Taxes and Elasticity of Taxable Income (ETI)

Author (Year)	Publication	Context	Key Result
Coles et al. (2022)	<i>Journal of Accounting Research</i>	Country Studied: US	Finds for 10 percent decrease in the net of tax rate, firms reduce taxable income by 9.1 percent
Gorry et al. (2018)	<i>NBER</i>	Country Studied: US	Finds for a 1 percent increase in the net of tax rate high income individuals increase their taxable income 2.24 percent

Table A4: Taxes and Migration

Author (Year)	Publication	Context	Key Result
Kalin et al. (2024)	<i>NBER</i>	Country Studied: Portugal After a reform in Portugal that allowed full tax exemption of foreign source pensions for retirees relocating to Portugal	Finds migration elasticity of the stock of foreign pensioners to the net of tax rate to be between 1.5 and 2
Moretti and Wilson (2020)	<i>NBER</i>	Country Studied: US Estimates the responses of the 2001 <i>Forbes</i> 400 billionaires in response to state-level variation in estate taxes	Finds that 23 of the 72 billionaires subject to state estate taxes migrated to non-estate tax states
Akcigit et al. (2016)	<i>American Economic Review</i>	Countries Studied: Canada, US, France, Germany, UK, Italy, Japan, and Switzerland International migration of top 1 percent of inventors by citations	The migration elasticity with respect to the net-of-tax rate is 0.03 for domestic inventors, compared to 1.0 for foreign inventors
Munoz (2021)	<i>Paris School of Economics Working Paper</i>	Country Studied: Various (Europe)	PIT – Migration: Finds a 10 ppt decrease from a 60 percent top rate increases top earners by about 2 percent
Advani et al. (2023)	<i>IZA Institute of Labor Economics</i>	Country Studied: UK	PIT – Migration: Finds a 1 ppt increase in net-of-tax rate reduces emigration by 0.26 ppt
Agrawal and Foremny (2018)	<i>Munich Society for Promotion of Econ. Research</i>	Country Studied: Spain	PIT – Migration: Finds a 1 ppt increase in net-of-tax rate raises migration probability by 1.7 ppt

Table A5: Tax Incidence

Author (Year)	Publication	Context	Key Result
Fuest et al. (2017)	<i>Leibniz Institute for Economic Research: University of Munich</i>	Country Studied: Germany	Finds that workers bear about 51 percent of the total tax burden from the German local business tax
Kennedy et al. (2022)	<i>Yale Department of Economics</i>	Country Studied: US Short-run incidence of CIT cuts	Finds 56 percent of gains go to the firm owners
Duan and Moon (2025)	<i>American Economic Journal: Economic Policy</i> (conditionally accepted)	Country Studied: Canada	Finds that workers bear 36 percent of the CIT burden
Deslauriers et al. (2018)	<i>IZA Institute of Labor Economics</i>	Country Studied: Canada	Finds that payroll taxes are borne almost entirely by labour
Carloni (2021)	<i>Congressional Budget Office</i>	Country Studied: US	Finds that 58 percent of the payroll tax burden is borne by labour

Table A6: Other Tax Effects

Author (Year)	Publication	Context	Key Result
Ebrahimi and Vaillancourt (2016)	<i>Fraser Institute</i>	Country Studied: Canada	A 1 percent increase in the CIT rate leads to a reduction in the inflation-adjusted hourly wage rate by 0.15 percent to 0.24 percent and a 1 percent increase in the employer portion of the payroll tax rate reduces hourly wage rate between 0.03 percent to 0.14 percent
Giroud and Rauh (2019)	<i>Journal of Political Economy</i>	Country Studied: US	A 1 ppt increase in the state CIT leads to 0.03 of firms with at least 100 employees and operations in at least 2 states closing
Curtis and Decker (2018)	<i>Federal Reserve Board</i>	Country Studied: US	Finds for every 1 ppt increase in CIT rate employment in start-ups declines 3.7 percent
Arias (2021)	<i>Philadelphia Federal Reserve</i>	Country Studied: US After a 1 percent increase in the PIT net of tax average marginal rate	Real GDP increases 0.7 percent and unemployment declines 0.3 ppt
Entin (2023)	<i>Tax Foundation</i>	Country Studied: UK Looks at impact of full expensing in the UK	Finds making the full expensing provisions from the 2023 Spring Budget permanent would raise GDP by 0.7 percent, investment by 1.1 percent, and wages by 0.6 percent compared to the baseline. Extending the measure to all sectors would increase GDP, investment, and wages by 2.5 percent, 2.5 percent, and 2.1 percent, respectively
Martins et al. (2007)	<i>OECD</i>	Country Studied: Various (OECD)	Finds that in response to a 5-percentage-point reduction in marginal tax rates tertiary education graduation rates increase 0.3 percentage points