



Non-Monetary Sanctions as Tax Enforcement Tools: Evaluating California's Top 500 Program

Background

- Tax agencies around the world face challenges in enforcing compliance, particularly among high-debt taxpayers who often evade traditional monetary penalties. To address this, California introduced the "Top 500" program, a non-monetary tax enforcement tool that publicly discloses the state's largest tax debtors and threatens them with license suspensions.

Study Overview

- Using administrative tax microdata, this study examines how receiving an official notice of impending public disclosure and license suspension impacts tax payment behavior. By leveraging a quasi-experimental research design, the authors estimate the program's impact on payments, installment agreements, and overall compliance outcomes.

Learn More

- Angaretis, C., Galle, B., Organ, P. R., and Prohofsky, A..(2024), Non-Monetary Sanctions as Tax Enforcement Tools: Evaluating California's Top 500 Program. *J. Pol. Anal. Manage.*.. doi:10.1002/pam.22595
- <https://doi.org/10.1002/pam.22595>

Key Takeaways

- The authors found that taxpayers who received an official notice paid an additional \$7,900 to \$18,300 over two years compared to those who did not, demonstrating a significant increase in payments.
- It was also found the likelihood of entering an installment agreement rose by 12 percentage points over two years, helping taxpayers by gradually settle their debts.
- Avoidance strategies were common, as many taxpayers took steps to make themselves ineligible for public disclosure, such as demonstrating financial hardship or filing for bankruptcy, with a 20 percentage point increase in ineligibility status after receiving the official letter.
- While the preliminary letters notifying taxpayers of potential disclosure had minimal impact, the official notice with a concrete deadline was found to significantly boost compliance.
- These findings suggest that public shaming and the threat of license suspension can be effective enforcement tools for tax collection, particularly among high-debt individuals.