**Federal Taxation**

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Federal taxation in the US has forever been the vanguard for liberal economic values as its various factions were expanded and consolidated to give the center power and authority. One of the most stable and least confusing aspect of federal taxation is the one imposed on property ownership. It simply depends on the amount of property owned by the citizen and does not need to be calculated and self-reported by the citizens. There exists a pre-determined amount calculated according to the property in the state and the currently enforced property taxation laws in the state. There are, however, a few difficulties regarding this taxation system. The current federal taxation system, as it stands, has historically faced fierce criticism and clear denunciation from the far-right political nexus of America. Publications and propaganda have flared up, time and again, to limit the power of the federal government over the country’s economic framework. (Huntington, 2018) On the other hand, progressive political circles have also tried to move the current system of federal taxation further to the left. There are discussions on the tax cuts that are easily in reach of millionaires. It is a growing political concern that the taxes on the rich elite and corporate owners which are eased in order to attract investments are not enough. Political leaning of the current taxation system is therefore of a very important value when discussing its effectiveness. The system has hence faced many political hiccups over time, but it continues to work in collecting a healthy amount of revenue for the state.

Other than the political spin on the taxation system that different circles along the political spectrum want to bring to the current taxation system, tax nonpayment is another crisis routinely associated with federal taxation. Delinquency associated with payment of taxes is a common misdemeanor in citizens. It is especially alarming where property taxes are concerned since those are not even self-reported but simply imposed in a pretty straightforward manner. Misconduct regarding property tax payment needs to be dealt with smartly since common reasons for tax nonpayment do not apply to property taxation. If the government is lenient in imposing federal taxation on property, it not only allows for misdemeanor on a massive scale, it leads to the idea that tax nonpayment is not something a citizen would be held accountable for. Setting up a negative precedent this way that is likely to be followed by others is not the best way to deal with the crisis. There have been several studies which focus on understanding the common reasons that might be responsible for tax nonpayment. (Hallsworth, 2017) Studies have been conducted to check for possible inducers for late tax payment or delinquency in citizens in different countries. It has been found that an effective way to rule out improbable reasons for tax nonpayment are giving the tax evaders nudges or reminders before fines or penalties are imposed on the citizens who are not paying their taxes. Several nudges of different kind, each in the form of a letter can therefore be sent to tax nonpayer. The general idea is that the nudge that generates the most significant change or increase in tax payment is the one that associates most strongly with the real reason behind tax nonpayment.

In one such study about the state of Philadelphia regarding the fiscal year of 2015 to 2016 the researchers also did the same by sending several consecutive nudges to late payers or evaders. (Chirico, 2019) The response each nudge received was then statistically analyzed to check which one brought the most significant rise in tax payment. A letter reminding the citizen to pay their taxes was sent. This laid to rest the claims that the citizen was simply forgetful, lazy or loved to procrastinate. Another nudge was a letter that listed down the motivators normally associated with tax payment. This one focused on tax payment being a civic duty which was being routinely performed by the evader’s neighbors and was, therefore, a duty they should perform as well. The final nudge was a letter that listed out all the fines, the interest on their unpaid tax and the penalties that would be imposed on them if the delinquency continues. Three letters with the first being a reminder and the other two being about tax liens were sent. Four letters listing out why paying taxes on times was important were sent. The results clearly indicate that out of all the nudges, the one that was most effective was the one that listed the fines. It is therefore increasingly important to understand that deterrence from tax nonpayment especially for a tax that is easily calculated and remains largely unchanged can be significantly achieved via financial restrictions or penalties. Overall, the study fortunately reported that a net total 70% of late payers paid their taxes after they were appropriately nudged concerning their tax nonpayment.

However, it is important to understand that different tactics may turn out to be most effective when different countries, different citizen communities and different tax-types are taken into account.

# References

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