
Tax Effects of Amalgamations: Evidence from Swiss Municipalities

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Abstract

Municipal mergers are one of the changes in municipal politics that feature prominently in many federally-organized countries. These changes are expected to trigger important economic and fiscal effects. In this paper we analyze how municipal amalgamation influences the distribution of tax bases and, related to it, the choice of tax rates at the municipal level. We also look at tax spillover effects on neighbours of amalgamated municipalities. We use a dataset on 2497 Swiss municipalities, among which 252 are the outcome of mergers, over 1973-2012. We find evidence that neighbouring municipalities experience an increase in their tax rates as well as a decrease in their tax base after an amalgamation takes place.

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