Elements of a concept
• Individual’s experience of policy implementation as onerous (Burden et al. 2012)
• Occurs in any context that state regulates private behavior, or structures access to services
• Learning, compliance and psychological costs
Learning costs

- Engaging in search processes to collect information about public services, and how they are relevant to the individual.
- Example – learning that a program exists, whether you are eligible, how much it might benefit you, how to apply.
- Such knowledge is not innate.
EITC Learning costs

- Large numbers unaware (43%) or underestimate benefits (33%)
- Learning costs reduced by IRS reminders, tax-preparation industry

- Audit
  - 25% unaware they were being audited
  - 40% did not understand what was being asked of them
The costs of following administrative rules and requirements

• Completing forms
• Providing documentation of status
• Frequency of re-certification
• Money spent (e.g., fee for services, hiring legal help)
Audit compliance costs

• Time spent complying: 30 hours, or about $500
• No individual examiners; each phone call starts afresh
• Case can take a year to resolve
Psychological costs

- Stigma of applying for or participating in a program with negative perceptions
- Loss of personal power or autonomy in interactions with the state
- Stresses of dealing with administrative processes, loss of benefit
Psychological costs

- Historically low stigma:
  - “EITC is a deserved reward for hard work”
  - As tax refund, avoids characteristics (caseworkers, state discretion, welfare office) that create psychological costs
  - “At H&R Block, one is a taxpayer, a client.”

- Audit:
  - Stresses from compliance costs, financial risks from delays or being barred
Why should we care?
#1: Burdens are consequential

- US Dept of Treasury generates 6.7B hours of work for taxpayers, 75% of all the time people spend on federal paperwork.
Effects on citizens

• Effects on access to services
  • Are policies reaching targeted audience?

• Effects on civic capacities and customer satisfaction
  • Policy feedback literature: state provides resources and shapes interpretations
  • Experiences of state teaches lessons to citizen about their standing and capacities
  • Matters for their sense of whether state serves their interests
#2: Burdens are distributive

- Benefit or disadvantage some groups more than others
- Less advantaged groups may be more targeted by burdens
  - Almost all citizens receive universal benefits (e.g. social security) but large proportions do not receive means-tested programs
  - The experience of the state for many citizens are shaped by burdens
• 6% of tax revenue lost due to individual noncompliance comes from EITC
• 52% from underreporting business income
• EITC recipients (≈$20K income) audited twice as much as taxpayers with income between $200-500K
• Recent decline in audit rates lower for EITC recipients

Since 2011, Audit Rates for the Wealthy Have Dropped More Steeply Than for EITC Recipients
The median EITC recipient has annual income under $20,000. Here's the percentage drop in audit rates by annual income, from 2011 to 2018:

- $200K to $500K: -74%
- $500K to $1M: -71%
- $1M to $5M: -70%
- $10M and up: -52%
- $5M to $10M: -62%

Source: ProPublica analysis of IRS data.
Burdens are distributive

• Lower levels of human capital may be associated with less capability to overcome burdens
• Resource scarcity triggers cognitive biases

• Audit:
  • 40% of denials reversed if people given assistance
  • People with higher literacy, perseverance and legal help likely to succeed
Burdens are constructed

• Can use burdens to make policy while skipping traditional policymaking process
• Burdens are opaque
  • The “details” of administration
  • Effects not widely understood
  • Present as technical fixes or serving values with wide support (reducing fraud)
Construction of EITC burdens

- Burdens partly a product of administrative and political choices
- Preferences of political actors about policy or constituency will affect the design of burdens
- EITC
  - Strong bipartisan support historically
  - Growing partisan pressure to add burdens and audits
That’s it!

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