



## American Economic Journal: Economic Policy

ISSN 1945-7731 (Print) | ISSN 1945-774X (Online)

≡ Menu

# The Effect of Corporate Taxation on Investment and Financial Policy: Evidence from the DPAD

Eric Ohrn

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY

VOL. 10, NO. 2, MAY 2018

(pp. 272–301)

Download Full Text PDF  
(Complimentary)

### Article Information

#### Abstract

This study estimates the investment, financing, and payout responses to variation in a firm's effective corporate income tax rate in the United States. I exploit quasi-experimental variation created by the Domestic Production Activities Deduction, a corporate tax expenditure created in 2005. A 1 percentage point reduction in tax rates increases investment by 4.7 percent of installed capital, increases payouts by 0.3 percent of sales, and decreases debt by 5.3 percent of total assets. These estimates

suggest that lower corporate tax rates and faster accelerated depreciation each stimulate a similar increase in investment, per dollar in lost revenue.

#### This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Ohrn, Eric. 2018. The Effect of Corporate Taxation on Investment and Financial Policy: Evidence from the DPAD." *American Economic Journal: Economic Policy* 10 (2): 272–301.

DOI: 10.1257/pol.20150378

Choose Format:



---

## Additional Materials

[Replication Package \(8.89 MB\)](#)

[Supplemental Appendix \(470.97 KB\)](#)

[Author Disclosure Statement\(s\) \(214.34 KB\)](#)

---

## JEL Classification

**D22** Firm Behavior: Empirical Analysis

**D25** Intertemporal Firm Choice: Investment, Capacity, and Financing

**G31** Capital Budgeting; Fixed Investment and Inventory Studies; Capacity

**G32** Financing Policy; Financial Risk and Risk Management; Capital and Ownership Structure; Value of Firms; Goodwill

**H25** Business Taxes and Subsidies including sales and value-added (VAT)

**H32** Fiscal Policies and Behavior of Economic Agents: Firm

[Terms of Use](#)

[Privacy Policy](#)

Copyright 2025 American Economic Association. All rights reserved.

### This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept