

[Working Papers](#)

How Prevalent is Tax Arbitrage? Evidence from the Market for Municipal Bonds

Merle Erickson, Austan Goolsbee & Edward Maydew

SHARE       

WORKING PAPER 9105

DOI 10.3386/w9105

ISSUE DATE August 2002

Although tax arbitrage is central to the literatures on tax capitalization, implicit taxes, and even capital structure, there is little empirical evidence of the extent to which firms actually engage in tax arbitrage. This paper provides some evidence on the topic by focusing on a simple and observable corporate arbitrage strategy in the market for municipal bonds. It poses a puzzle for the literature, however, in that we find little evidence of municipal bond tax arbitrage by non-financial corporations. The overwhelming majority of firms are not engaging in the arbitrage at all and even among those engaged in arbitrage, many firms do less than a safe-harbor amount allowed by the tax authorities. Such a pattern is consistent with the presence of both fixed and marginal (i.e., that depend on size of the position) costs of arbitrage, though we cannot observe what those costs are.

[Download a PDF](#)

Acknowledgements and Disclosures



Citation and Citation Data



Published Versions

Merle Erickson & Austan Goolsbee & Edward Maydew, 2003. "[How Prevalent is Tax Arbitrage? Evidence from the Market for Municipal Bonds](#)," National Tax Journal, vol 56(1, Part 2), pages 259-270.

Related

TOPICS

Public Economics
Taxation

PROGRAMS

Asset Pricing
Public Economics

More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025
The Fiscal Future

N. Gregory Mankiw, Harvard University and NBER
July 10, 2025

2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025
**Uncovering Causal Mechanisms:
Mediation Analysis and
Surrogate Indices**

Raj Chetty, Harvard University and NBER
Kosuke Imai, Harvard University
July 24, 2025



2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms: Mediation Analysis and Surrogate Indices"

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs...

A blue rectangular poster with three circular headshots of panelists on the left. The text on the right reads: "International Trade and Macroeconomics, Summer Institute 2025", "Panel on The Future of the Global Economy", "Oleg Itskhoki, Harvard University and NBER", "Paul Krugman, City University of New York and NBER", "Linda Tesar, University of Michigan and NBER", and "July 8, 2025".

International Trade and Macroeconomics, Summer Institute 2025
Panel on The Future of the Global Economy
Oleg Itskhoki, Harvard University and NBER
Paul Krugman, City University of New York and NBER
Linda Tesar, University of Michigan and NBER
July 8, 2025

2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"

PANEL DISCUSSION

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

National Bureau of Economic Research

[Contact Us](#)

1050 Massachusetts Avenue

Cambridge, MA 02138

[617-868-3900](tel:617-868-3900)

info@nber.org

webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW



© 2025 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.