Do Corporate Taxes Affect Workplace Safety?

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We examine how workplace injury rates change when firms are subject to a corporate tax shock. We find that tax increases lead to a significance increase in reported injuries, but tax decreases have no similar effect. Our difference-in-differences empirical strategy relies on staggered state-level corporate tax changes and exploits spatial discontinuity in treatment and control establishments located in contiguous border counties within the same firm. The results are strongest in industries with low union bargaining power, for firms with high marginal tax rates, poor safety culture scores and for firms that barely meet or beat analysts’ earnings forecasts. Our results suggest that tax increases lead to real effects at the expense of employees, with no similar benefit accruing for tax cuts.