

The German Taxpayer-Panel

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The use of panel data has become increasingly popular in socioeconomic research. This is due to the new analysis possibilities presented by the additional dimension of time, new analysis techniques and the increasing availability of panel data (e.g. the panel of the micro census). Particularly popular are panels based on income tax data (so-called taxpayer-panels). Via “new tax responsiveness” (NTR), a research field has been established which analyses tax-related questions through the use of panel data (e.g. the impact of a tax reform).

An early German foray into this field was by Gottfried/Schellhorn (2003). This work was based on a panel of income taxpayer-panels from Baden-Württemberg with around 50,000 income files from the years 1988 to 1991. Other panels from German income tax data are not known. The absence of panel data is the reason for the little impact these data have had so far on economic discussion within Germany.

Using income tax data, the Federal Statistical Office Germany has succeeded in developing a panel for the study of German taxpayers. The major challenge in the development of this panel was the fact that the identifier for an individual (the tax number) can change during an individual’s life (e.g. by moving to another state, marriage or divorce). To tackle this problem, a three-step matching algorithm was developed, so that representative and current income tax panel data are now available in Germany for the first time.

The purpose of this paper is to present this matching algorithm and to demonstrate a number of potential analyses than can be done with the data.

1. Data

The taxpayer-panel is based on the annual income tax statistics, which contain the complete income tax forms of around 28 million taxpayers. Even without being linked over time these data are already used in politics as well as in economic research since they can show the structural effects of income tax as well as the distribution of income and tax burden.