

## **Electronic Supplementary Material**

### **Regional variation in tax compliance and the role of culture**

Section A contains additional tables and figures.

Section B contains the experimental instructions, including an English translation of the instructions to participants, and illustrative screenshots of the clerical task and reporting stage.

## A. Additional tables and figures

**Table A1**

Descriptive statistics and balance test.

| Variable          | Bologna          | Salerno          | Difference          |
|-------------------|------------------|------------------|---------------------|
| Male              | 0.462<br>(0.501) | 0.614<br>(0.489) | 0.152**<br>[0.024]  |
| Age Group 20-25   | 0.528<br>(0.502) | 0.763<br>(0.427) | 0.235***<br>[0.000] |
| University Degree | 0.443<br>(0.499) | 0.368<br>(0.485) | -0.075<br>[0.260]   |
| Social Science    | 0.142<br>(0.350) | 0.509<br>(0.502) | 0.367***<br>[0.000] |
| Risk Aversion     | 5.585<br>(1.473) | 5.228<br>(1.370) | -0.357*<br>[0.065]  |
| Rows              | 6.057<br>(1.251) | 6.424<br>(1.405) | 0.367***<br>[0.041] |
| Observations      | 106              | 114              | 220                 |

Notes: Standard deviations reported in parentheses. Balance tests p-values according to Chiapello (2018) reported in squared brackets.

**Table A2**

Compliance and standard deviations per treatment, by location.

|                   | Bologna            | Salerno            | Total              | K-W   |
|-------------------|--------------------|--------------------|--------------------|-------|
| No Redistribution | 50.082<br>(43.244) | 65.879<br>(41.879) | 58.268<br>(43.176) | 0.008 |
| Redistribution    | 62.207<br>(43.599) | 75.754<br>(35.408) | 69.227<br>(40.054) | 0.034 |
| Redistribution X2 | 77.215<br>(37.978) | 79.143<br>(35.446) | 78.214<br>(36.616) | 0.826 |
| Tax Rate 5%       | 71.665<br>(40.794) | 78.155<br>(36.566) | 75.028<br>(38.708) | 0.321 |
| Tax Rate 30%      | 57.111<br>(42.745) | 69.511<br>(37.915) | 63.536<br>(40.698) | 0.054 |
| Tax Rate 50%      | 52.922<br>(44.948) | 66.999<br>(40.249) | 60.216<br>(43.061) | 0.057 |
| Audit Prob. 5%    | 58.738<br>(43.718) | 66.789<br>(39.980) | 62.910<br>(41.921) | 0.287 |
| Audit Prob. 30%   | 83.805<br>(32.372) | 92.028<br>(20.148) | 88.066<br>(26.998) | 0.123 |
| Audit Prob. 50%   | 88.893<br>(29.713) | 94.124<br>(18.428) | 91.604<br>(24.605) | 0.915 |
| Total             | 66.960<br>(30.855) | 76.487<br>(25.057) | 71.897<br>(28.340) | 0.000 |
| Observations      | 106                | 114                | 220                |       |

Notes: This table reports the means of compliance rates (%) per treatment by location. Standard Deviations in parentheses. Compliance rate is defined as the ratio of income reported to income earned. Column “K–W” reports the p-value of Kruskal–Wallis test with ties for differences in distributions between locations (H0: no differences).

**Table A3**

Effects of treatments on tax compliance by locations (all covariates).

| DV: Compliance Rate | Bologna             |                      |                      |                      | Salerno             |                     |                      |                      |
|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
|                     | (I)                 |                      | (II)                 |                      | (III)               |                     | (IV)                 |                      |
|                     | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H   | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    |
| Tax Rate            | -0.942**<br>(0.427) | -0.239***<br>(0.092) | -1.213**<br>(0.482)  | -0.254***<br>(0.091) | -0.605<br>(0.457)   | -0.152**<br>(0.073) | -0.688<br>(0.483)    | -0.153**<br>(0.071)  |
| Audit               | 1.923***<br>(0.382) | 0.357***<br>(0.060)  | 2.467***<br>(0.450)  | 0.366***<br>(0.060)  | 3.009***<br>(0.614) | 0.271***<br>(0.048) | 3.314***<br>(0.642)  | 0.282***<br>(0.048)  |
| Redistribution      | 0.290***<br>(0.096) | 0.083***<br>(0.021)  | 0.392***<br>(0.111)  | 0.085***<br>(0.020)  | 0.240**<br>(0.101)  | 0.022<br>(0.017)    | 0.281**<br>(0.109)   | 0.024<br>(0.016)     |
| Male                |                     |                      | -1.162***<br>(0.119) | 0.001<br>(0.020)     |                     |                     | -0.730***<br>(0.136) | -0.071***<br>(0.016) |
| Age Group 20-25     |                     |                      | -0.261**<br>(0.114)  | -0.075***<br>(0.020) |                     |                     | -0.217<br>(0.141)    | -0.071***<br>(0.018) |
| University Degree   |                     |                      | -0.608***<br>(0.111) | -0.092***<br>(0.020) |                     |                     | 0.100<br>(0.119)     | -0.034**<br>(0.016)  |
| Social Science      |                     |                      | 0.738***<br>(0.195)  | 0.015<br>(0.027)     |                     |                     | 0.133<br>(0.114)     | 0.019<br>(0.016)     |
| Risk Aversion       |                     |                      | 0.330***<br>(0.042)  | 0.008<br>(0.007)     |                     |                     | 0.241***<br>(0.047)  | 0.020***<br>(0.006)  |
| Rows                |                     |                      | -0.034<br>(0.037)    | -0.002<br>(0.007)    |                     |                     | -0.063*<br>(0.033)   | 0.002<br>(0.005)     |
| Constant            | 0.598***<br>(0.169) | 0.781***<br>(0.036)  | -0.012<br>(0.348)    | 0.822***<br>(0.065)  | 0.824***<br>(0.181) | 0.858***<br>(0.029) | 0.585<br>(0.370)     | 0.833***<br>(0.052)  |
| $\sigma_a$          |                     | 0.264***<br>(0.007)  |                      | 0.259***<br>(0.007)  |                     | 0.231***<br>(0.005) |                      | 0.224***<br>(0.005)  |
| $\chi^2$            | 54.98               |                      | 89.78                |                      | 36.26               |                     | 99.39                |                      |
| Log likelihood      | -530                |                      | -408                 |                      | -319                |                     | -250                 |                      |
| Observations        | 954                 |                      | 954                  |                      | 1026                |                     | 1026                 |                      |

Notes: Double-hurdle regression models with robust standard errors reported in parentheses. Estimates are based on a sample of 106 individuals in Bologna, and 114 individuals in Salerno, and nine rounds. Dependent variable: Compliance rate defined as the ratio of income reported to income earned. Abbreviations: “H” stands for Hurdle. \*  $p < 0.10$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

**Table A4**

Effects of treatments on tax compliance between locations (all covariates).

| DV: Compliance Rate    | (I)                  |                      | (II)                 |                      | (III)                |                      | (IV)                 |                      |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                        | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    |
| Salerno                | 0.533***<br>(0.082)  | 0.043***<br>(0.014)  |                      |                      | 0.658<br>(0.426)     | -0.032<br>(0.072)    |                      |                      |
| Male                   | -0.897***<br>(0.084) | -0.037***<br>(0.013) | -0.932***<br>(0.087) | -0.038***<br>(0.013) | -1.103***<br>(0.112) | 0.006<br>(0.019)     | -1.160***<br>(0.118) | 0.001<br>(0.019)     |
| Age Group 20-25        | -0.177**<br>(0.083)  | -0.072***<br>(0.013) | -0.181**<br>(0.086)  | -0.068***<br>(0.013) | -0.239**<br>(0.109)  | -0.078***<br>(0.019) | -0.274**<br>(0.114)  | -0.075***<br>(0.018) |
| University Degree      | -0.249***<br>(0.075) | -0.058***<br>(0.013) | -0.263***<br>(0.078) | -0.061***<br>(0.012) | -0.577***<br>(0.107) | -0.087***<br>(0.019) | -0.615***<br>(0.111) | -0.092***<br>(0.018) |
| Social Science         | 0.281***<br>(0.091)  | 0.023*<br>(0.014)    | 0.299***<br>(0.094)  | 0.028**<br>(0.014)   | 0.704***<br>(0.188)  | 0.012<br>(0.025)     | 0.710***<br>(0.192)  | 0.015<br>(0.025)     |
| Risk Aversion          | 0.240***<br>(0.028)  | 0.012***<br>(0.004)  | 0.256***<br>(0.029)  | 0.014***<br>(0.004)  | 0.303***<br>(0.040)  | 0.004<br>(0.006)     | 0.311***<br>(0.039)  | 0.007<br>(0.006)     |
| Rows                   | -0.019<br>(0.023)    | 0.007<br>(0.004)     | -0.051**<br>(0.024)  | 0.001<br>(0.004)     | 0.002<br>(0.035)     | 0.006<br>(0.006)     | -0.048<br>(0.035)    | -0.002<br>(0.006)    |
| Tax Rate               |                      |                      | -1.529***<br>(0.401) | -0.345***<br>(0.072) |                      |                      | -1.373***<br>(0.463) | -0.255***<br>(0.080) |
| Audit                  |                      |                      | 2.244***<br>(0.420)  | 0.353***<br>(0.054)  |                      |                      | 2.439***<br>(0.444)  | 0.365***<br>(0.055)  |
| Redistribution         |                      |                      | 0.299***<br>(0.099)  | 0.069***<br>(0.017)  |                      |                      | 0.367***<br>(0.108)  | 0.084***<br>(0.018)  |
| Salerno#Tax Rate       |                      |                      | 1.264***<br>(0.449)  | 0.270***<br>(0.080)  |                      |                      | 0.846<br>(0.626)     | 0.105<br>(0.104)     |
| Salerno#Audit          |                      |                      | 1.360*<br>(0.771)    | -0.058<br>(0.073)    |                      |                      | 0.919<br>(0.788)     | -0.083<br>(0.076)    |
| Salerno#Redistribution |                      |                      | 0.055<br>(0.129)     | -0.031<br>(0.021)    |                      |                      | -0.061<br>(0.149)    | -0.060**<br>(0.024)  |

Notes: Double-hurdle regression models with robust standard errors reported in parentheses. Estimates are based on a sample of 220 participants and nine periods. Dependent variable: Compliance rate defined as the ratio of income reported to income earned. Abbreviations: “H” stands for Hurdle. \*  $p < 0.10$  \*\*  $p < 0.05$  \*\*\*  $p < 0.01$ .

**Table A4 (cont.)**

| DV: Compliance Rate       | (I)               |                     | (II)              |                     | (III)                |                      | (IV)                |                      |
|---------------------------|-------------------|---------------------|-------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
|                           | 1 <sup>st</sup> H | 2 <sup>nd</sup> H   | 1 <sup>st</sup> H | 2 <sup>nd</sup> H   | 1 <sup>st</sup> H    | 2 <sup>nd</sup> H    | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H    |
| Salerno#Male              |                   |                     |                   |                     | 0.407**<br>(0.172)   | -0.077***<br>(0.026) | 0.446**<br>(0.179)  | -0.072***<br>(0.025) |
| Salerno#Age Group 20-25   |                   |                     |                   |                     | 0.033<br>(0.174)     | 0.005<br>(0.027)     | 0.080<br>(0.178)    | 0.004<br>(0.026)     |
| Salerno#University Degree |                   |                     |                   |                     | 0.667***<br>(0.156)  | 0.052**<br>(0.025)   | 0.735***<br>(0.161) | 0.058**<br>(0.025)   |
| Salerno#Social Science    |                   |                     |                   |                     | -0.563***<br>(0.217) | 0.007<br>(0.031)     | -0.566**<br>(0.222) | 0.004<br>(0.030)     |
| Salerno#Risk Aversion     |                   |                     |                   |                     | -0.076<br>(0.060)    | 0.015<br>(0.009)     | -0.048<br>(0.053)   | 0.013*<br>(0.007)    |
| Salerno#Rows              |                   |                     |                   |                     | -0.033<br>(0.047)    | 0.001<br>(0.008)     | -0.001<br>(0.044)   | 0.004<br>(0.007)     |
| Constant                  | 0.319<br>(0.209)  | 0.809***<br>(0.036) | 0.392<br>(0.248)  | 0.818***<br>(0.041) | 0.135<br>(0.289)     | 0.858***<br>(0.052)  | 0.266<br>(0.253)    | 0.828***<br>(0.041)  |
| $\sigma_\alpha$           |                   | 0.249***<br>(0.004) |                   | 0.242***<br>(0.004) |                      | 0.248***<br>(0.004)  |                     | 0.240***<br>(0.004)  |
| $\chi^2$                  | 68.82             |                     | 171.95            |                     | 86.74                |                      | 195.11              |                      |
| Log likelihood            | -795              |                     | -694              |                     | -771                 |                      | -667                |                      |
| Observations              | 1980              |                     | 1980              |                     | 1980                 |                      | 1980                |                      |

**Table A5**

Robustness Check 1 on the effects of treatments on tax compliance by locations (all covariates).

| DV: Compliance Rate | Bologna (only those born in the North) |                   |                     |                    | Salerno (only those born in the South) |                   |                    |                   |
|---------------------|----------------------------------------|-------------------|---------------------|--------------------|----------------------------------------|-------------------|--------------------|-------------------|
|                     | (I)                                    |                   | (II)                |                    | (III)                                  |                   | (IV)               |                   |
|                     | 1 <sup>st</sup> H                      | 2 <sup>nd</sup> H | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H                      | 2 <sup>nd</sup> H | 1 <sup>st</sup> H  | 2 <sup>nd</sup> H |
| Tax Rate            | -1.042<br>(.651)                       | -.378**<br>(.153) | -1.350*<br>(.717)   | -.371**<br>(.144)  | .018<br>(.746)                         | -.194*<br>(.114)  | .334<br>(.797)     | -.181<br>(.111)   |
| Audit               | 1.911***<br>(.568)                     | .444***<br>(.097) | 2.653***<br>(.675)  | .452***<br>(.093)  | 2.381***<br>(.901)                     | .202***<br>(.076) | 2.745***<br>(.961) | .213***<br>(.075) |
| Redistribution      | .311**<br>(.147)                       | .118***<br>(.034) | .426**<br>(.170)    | .123***<br>(.032)  | .498***<br>(.175)                      | -.003<br>(.027)   | .620***<br>(.194)  | .009<br>(.026)    |
| Male                |                                        |                   | -1.113***<br>(.193) | -.070**<br>(.031)  |                                        |                   | -.834***<br>(.255) | -.061**<br>(.025) |
| Age Group 20-25     |                                        |                   | -.264<br>(.175)     | -.081**<br>(.032)  |                                        |                   | -.124<br>(.223)    | -.046*<br>(.026)  |
| University Degree   |                                        |                   | -.538***<br>(.169)  | -.115***<br>(.033) |                                        |                   | .076<br>(.197)     | -.059**<br>(.024) |
| Social Science      |                                        |                   | .100<br>(.299)      | .113**<br>(.051)   |                                        |                   | .033<br>(.193)     | .025<br>(.024)    |
| Risk Aversion       |                                        |                   | .242***<br>(.063)   | -.018<br>(.011)    |                                        |                   | .263***<br>(.081)  | .019**<br>(.009)  |
| Rows                |                                        |                   | -.138**<br>(.067)   | .013<br>(.012)     |                                        |                   | -.081<br>(.051)    | .001<br>(.007)    |
| Constant            | .532**<br>(.257)                       | .755***<br>(.060) | 1.166**<br>(.563)   | .883***<br>(.110)  | .513*<br>(.291)                        | .913***<br>(.046) | .175<br>(.616)     | .873***<br>(.082) |
| $\sigma_a$          |                                        | .273***<br>(.012) |                     | .258***<br>(.011)  |                                        | .222***<br>(.008) |                    | .215***<br>(.008) |
| $\chi^2$            | 36.05                                  |                   | 76.84               |                    | 9.86                                   |                   | 33.30              |                   |
| Log likelihood      | -238                                   |                   | -178                |                    | -100                                   |                   | -74                |                   |
| Observations        | 396                                    |                   | 396                 |                    | 396                                    |                   | 396                |                   |

Notes: This robustness check compares a random sample within the subjects recruited in Bologna and born in the North (N=44; “Bologna (only those born in the North)”) to a random sample of the same size within the subjects recruited in Salerno and born in the South (“Salerno (only those born in the South)”). Double-hurdle regression models with robust standard errors reported in parentheses. The dependent variable (“DV”) is Compliance Rate, defined as the ratio of income reported to income earned. Abbreviations: “H” stands for Hurdle. \* p<.10 \*\*p<.05 \*\*\*p<.01.

**Table A6**

Robustness Check 1 on the effects of treatments on tax compliance between locations (all covariates).

| DV: Compliance Rate                                 | (I)                |                    | (II)               |                    | (III)               |                    | (IV)                |                    |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|                                                     | 1 <sup>st</sup> H  | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H  | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  |
| Salerno (only those born in the South) <sup>a</sup> | .640***<br>(.129)  | .036<br>(.023)     |                    |                    | -.001<br>(.692)     | -.083<br>(.117)    |                     |                    |
| Male                                                | -.928***<br>(.141) | -.063***<br>(.020) | -.997***<br>(.150) | -.064***<br>(.020) | -1.020***<br>(.179) | -.065**<br>(.029)  | -1.096***<br>(.190) | -.070**<br>(.028)  |
| Age Group 20-25                                     | -.154<br>(.128)    | -.054**<br>(.021)  | -.166<br>(.134)    | -.052**<br>(.020)  | -.221<br>(.166)     | -.081***<br>(.030) | -.230<br>(.172)     | -.080***<br>(.028) |
| University Degree                                   | -.301**<br>(.117)  | -.086***<br>(.020) | -.297**<br>(.123)  | -.091***<br>(.020) | -.527***<br>(.162)  | -.105***<br>(.031) | -.537***<br>(.168)  | -.114***<br>(.030) |
| Social Science                                      | .093<br>(.147)     | .056**<br>(.024)   | .055<br>(.153)     | .062***<br>(.023)  | .081<br>(.286)      | .114**<br>(.048)   | .146<br>(.296)      | .113**<br>(.046)   |
| Risk Aversion                                       | .209***<br>(.044)  | -.002<br>(.007)    | .237***<br>(.046)  | .001<br>(.007)     | .217***<br>(.060)   | -.024**<br>(.011)  | .265***<br>(.060)   | -.018*<br>(.010)   |
| Rows                                                | -.074**<br>(.037)  | .010<br>(.007)     | -.111***<br>(.040) | .005<br>(.007)     | -.078<br>(.062)     | .024**<br>(.011)   | -.110*<br>(.062)    | .013<br>(.010)     |
| Tax Rate                                            |                    |                    | -1.299**<br>(.611) | -.520***<br>(.114) |                     |                    | -1.136*<br>(.687)   | -.366***<br>(.126) |
| Audit                                               |                    |                    | 2.501***<br>(.641) | .434***<br>(.084)  |                     |                    | 2.649***<br>(.672)  | .450***<br>(.085)  |
| Redistribution                                      |                    |                    | .404***<br>(.153)  | .096***<br>(.027)  |                     |                    | .461***<br>(.166)   | .122***<br>(.029)  |
| Salerno#Tax Rate                                    |                    |                    | 1.655**<br>(.706)  | .422***<br>(.127)  |                     |                    | 1.147<br>(.966)     | .181<br>(.162)     |
| Salerno#Audit                                       |                    |                    | .204<br>(1.125)    | -.210*<br>(.115)   |                     |                    | -.005<br>(1.162)    | -.237**<br>(.118)  |
| Salerno#Redistribution                              |                    |                    | .240<br>(.215)     | -.061*<br>(.034)   |                     |                    | .121<br>(.251)      | -.114***<br>(.039) |

<sup>a</sup>Notes: This robustness check compares a random sample within the subjects recruited in Bologna and born in the North (N=44; “Bologna (only those born in the North)”) to a random sample of the same size within the subjects recruited in Salerno and born in the South (N=44; “Salerno (only those born in the South)”). Double-hurdle regression models with robust standard errors reported in parentheses. The dependent variable (“DV”) is Compliance Rate, defined as the ratio of income reported to income earned. Abbreviations: “H” stands for Hurdle. \* p<.10 \*\*p<.05 \*\*\*p<.01.

**Table A6 (cont.)**

| DV: Compliance Rate       | (I)               |                   | (II)              |                   | (III)             |                   | (IV)              |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                           | 1 <sup>st</sup> H | 2 <sup>nd</sup> H | 1 <sup>st</sup> H | 2 <sup>nd</sup> H | 1 <sup>st</sup> H | 2 <sup>nd</sup> H | 1 <sup>st</sup> H | 2 <sup>nd</sup> H |
| Salerno#Male              |                   |                   |                   |                   | .264<br>(.297)    | .004<br>(.040)    | .226<br>(.319)    | .008<br>(.039)    |
| Salerno#Age Group 20-25   |                   |                   |                   |                   | .117<br>(.268)    | .031<br>(.043)    | .081<br>(.281)    | .034<br>(.039)    |
| Salerno#University Degree |                   |                   |                   |                   | .544**<br>(.246)  | .048<br>(.042)    | .582**<br>(.258)  | .055<br>(.040)    |
| Salerno#Social Science    |                   |                   |                   |                   | .029<br>(.339)    | -.091<br>(.056)   | -.125<br>(.352)   | -.089*<br>(.053)  |
| Salerno#Risk Aversion     |                   |                   |                   |                   | -.008<br>(.095)   | .042***<br>(.015) | -.043<br>(.086)   | .036***<br>(.012) |
| Salerno#Rows              |                   |                   |                   |                   | .024<br>(.079)    | -.021<br>(.014)   | .011<br>(.074)    | -.013<br>(.012)   |
| Constant                  | .913***<br>(.333) | .870***<br>(.057) | .781*<br>(.402)   | .881***<br>(.066) | 1.118**<br>(.476) | .928***<br>(.090) | .718*<br>(.414)   | .878***<br>(.067) |
| $\sigma_a$                |                   | .248***<br>(.007) |                   | .238***<br>(.007) |                   | .246***<br>(.007) |                   | .235***<br>(.007) |
| $\chi^2$                  | 47.75             |                   | 106.63            |                   | 62.85             |                   | 126.24            |                   |
| Log likelihood            | -322              |                   | -270              |                   | -312              |                   | -258              |                   |
| Observations              | 792               |                   | 792               |                   | 792               |                   | 792               |                   |

**Table A7**

Robustness Check 2 on the effects of treatments on tax compliance by locations (all covariates).

| DV: Compliance Rate | Born in the North (Bologna sample) |                   |                     |                    | Born in the South (Bologna sample) |                   |                     |                   |
|---------------------|------------------------------------|-------------------|---------------------|--------------------|------------------------------------|-------------------|---------------------|-------------------|
|                     | (I)                                |                   | (II)                |                    | (III)                              |                   | (IV)                |                   |
|                     | 1 <sup>st</sup> H                  | 2 <sup>nd</sup> H | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H                  | 2 <sup>nd</sup> H | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H |
| Tax Rate            | -1.042<br>(.651)                   | -.378**<br>(.153) | -1.350*<br>(.717)   | -.371**<br>(.144)  | -.589<br>(.609)                    | -.139<br>(.119)   | -.741<br>(.711)     | -.134<br>(.116)   |
| Audit               | 1.911***<br>(.568)                 | .444***<br>(.097) | 2.653***<br>(.675)  | .452***<br>(.093)  | 1.655***<br>(.532)                 | .287***<br>(.079) | 2.173***<br>(.665)  | .253***<br>(.079) |
| Redistribution      | .311**<br>(.147)                   | .118***<br>(.034) | .426**<br>(.170)    | .123***<br>(.032)  | .292**<br>(.139)                   | .059**<br>(.027)  | .402**<br>(.163)    | .061**<br>(.026)  |
| Male                |                                    |                   | -1.113***<br>(.193) | -.070**<br>(.031)  |                                    |                   | -1.182***<br>(.177) | .035<br>(.029)    |
| Age Group 20-25     |                                    |                   | -.264<br>(.175)     | -.081**<br>(.032)  |                                    |                   | -.527***<br>(.170)  | -.056**<br>(.026) |
| University Degree   |                                    |                   | -.538***<br>(.169)  | -.115***<br>(.033) |                                    |                   | -.617***<br>(.167)  | -.064**<br>(.026) |
| Social Science      |                                    |                   | .100<br>(.299)      | .113**<br>(.051)   |                                    |                   | 1.151***<br>(.320)  | -.069**<br>(.032) |
| Risk Aversion       |                                    |                   | .242***<br>(.063)   | -.018<br>(.011)    |                                    |                   | .403***<br>(.064)   | .012<br>(.008)    |
| Rows                |                                    |                   | -.138**<br>(.067)   | .013<br>(.012)     |                                    |                   | .031<br>(.050)      | .009<br>(.008)    |
| Constant            | .532**<br>(.257)                   | .755***<br>(.060) | 1.166**<br>(.563)   | .883***<br>(.110)  | .590**<br>(.240)                   | .808***<br>(.047) | -.830<br>(.510)     | .743***<br>(.083) |
| $\sigma_a$          |                                    | .273***<br>(.012) |                     | .258***<br>(.011)  |                                    | .249***<br>(.009) |                     | .243***<br>(.009) |
| $\chi^2$            | 36.05                              |                   | 76.84               |                    | 18.81                              |                   | 42.08               |                   |
| Log likelihood      | -238                               |                   | -178                |                    | -238                               |                   | -164                |                   |
| Observations        | 396                                |                   | 396                 |                    | 486                                |                   | 486                 |                   |

Notes: This robustness check only considers the sample of students recruited in Bologna and compares those born in the North (N=44; Col. "Born in the North (Bologna sample)") to those born in the South (N=54; Col. "Born in the South (Bologna sample)"). Double-hurdle regression models with robust standard errors reported in parentheses. The dependent variable ("DV") is Compliance Rate, defined as the ratio of income reported to income earned. Abbreviations: "H" stands for Hurdle. \* p<.10 \*\*p<.05 \*\*\*p<.01.

**Table A8**

Robustness Check 2 on the effects of treatments on tax compliance between locations (all covariates).

| DV: Compliance Rate                                      | (I)                 |                    | (II)                |                    | (III)               |                    | (IV)                |                    |
|----------------------------------------------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|                                                          | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H   | 2 <sup>nd</sup> H  |
| South [=Born in the South (Bologna sample)] <sup>a</sup> | -.113<br>(.111)     | .039*<br>(.021)    |                     |                    | -1.588**<br>(.638)  | -.147<br>(.120)    |                     |                    |
| Male                                                     | -1.115***<br>(.121) | -.013<br>(.022)    | -1.162***<br>(.127) | -.018<br>(.021)    | -1.020***<br>(.179) | -.065**<br>(.031)  | -1.079***<br>(.189) | -.070**<br>(.030)  |
| Age Group 20-25                                          | -.334***<br>(.116)  | -.064***<br>(.021) | -.361***<br>(.121)  | -.064***<br>(.020) | -.221<br>(.166)     | -.081**<br>(.032)  | -.182<br>(.171)     | -.072**<br>(.029)  |
| University Degree                                        | -.576***<br>(.112)  | -.100***<br>(.021) | -.605***<br>(.116)  | -.105***<br>(.020) | -.527***<br>(.162)  | -.106***<br>(.033) | -.534***<br>(.168)  | -.116***<br>(.032) |
| Social Science                                           | .614***<br>(.194)   | -.011<br>(.028)    | .628***<br>(.200)   | -.009<br>(.027)    | .080<br>(.286)      | .114**<br>(.051)   | .212<br>(.296)      | .117**<br>(.049)   |
| Risk Aversion                                            | .301***<br>(.041)   | -.003<br>(.007)    | .326***<br>(.043)   | .000<br>(.007)     | .218***<br>(.060)   | -.024**<br>(.011)  | .301***<br>(.059)   | -.014<br>(.010)    |
| Rows                                                     | -.003<br>(.037)     | .017**<br>(.007)   | -.038<br>(.039)     | .010<br>(.007)     | -.079<br>(.062)     | .024*<br>(.012)    | -.070<br>(.060)     | .018*<br>(.011)    |
| Tax Rate                                                 |                     |                    | -1.108*<br>(.605)   | -.441***<br>(.119) |                     |                    | -.811<br>(.678)     | -.327**<br>(.133)  |
| Audit                                                    |                     |                    | .551***<br>(.648)   | .438***<br>(.090)  |                     |                    | 2.644***<br>(.671)  | .453***<br>(.090)  |
| Redistribution                                           |                     |                    | .467***<br>(.154)   | .109***<br>(.028)  |                     |                    | .507***<br>(.165)   | .131***<br>(.030)  |
| South#Tax Rate                                           |                     |                    | .160<br>(.660)      | .340***<br>(.130)  |                     |                    | -.445<br>(.923)     | .161<br>(.168)     |
| South#Audit                                              |                     |                    | -.463<br>(.877)     | -.162<br>(.118)    |                     |                    | -.568<br>(.941)     | -.201*<br>(.121)   |
| South#Redistribution                                     |                     |                    | -.116<br>(.193)     | -.040<br>(.034)    |                     |                    | -.194<br>(.224)     | -.075*<br>(.039)   |

<sup>a</sup>Notes: This robustness check only considers the sample of students recruited in Bologna and compares those born in the North (N=44; Col. "Born in the North (Bologna sample)") to those born in the South (N=54; Col. "Born in the South (Bologna sample)"). Double-hurdle regression models with robust standard errors reported in parentheses. The dependent variable ("DV") is Compliance Rate, defined as the ratio of income reported to income earned. Abbreviations: "H" stands for Hurdle. \* p<.10 \*\*p<.05 \*\*\*p<.01.

**Table A8 (cont.)**

| DV: Compliance Rate     | (I)               |                   | (II)              |                   | (III)             |                    | (IV)              |                    |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
|                         | 1 <sup>st</sup> H | 2 <sup>nd</sup> H | 1 <sup>st</sup> H | 2 <sup>nd</sup> H | 1 <sup>st</sup> H | 2 <sup>nd</sup> H  | 1 <sup>st</sup> H | 2 <sup>nd</sup> H  |
| South#Male              |                   |                   |                   |                   | -.131<br>(.247)   | .104**<br>(.043)   | -.101<br>(.258)   | .107**<br>(.042)   |
| South#Age Group 20-25   |                   |                   |                   |                   | -.277<br>(.233)   | .021<br>(.042)     | -.359<br>(.239)   | .014<br>(.040)     |
| South#University Degree |                   |                   |                   |                   | -.059<br>(.228)   | .044<br>(.043)     | -.135<br>(.237)   | .050<br>(.042)     |
| South#Social Science    |                   |                   |                   |                   | 1.038**<br>(.421) | -.185***<br>(.061) | .833*<br>(.428)   | -.188***<br>(.059) |
| South#Risk Aversion     |                   |                   |                   |                   | .158*<br>(.086)   | .034**<br>(.014)   | .038<br>(.075)    | .023*<br>(.012)    |
| South#Rows              |                   |                   |                   |                   | .133*<br>(.079)   | -.009<br>(.015)    | .059<br>(.072)    | -.012<br>(.012)    |
| Constant                | .319<br>(.309)    | .825***<br>(.059) | .059<br>(.360)    | .810***<br>(.066) | 1.120**<br>(.477) | .927***<br>(.095)  | .073<br>(.370)    | .798***<br>(.066)  |
| $\sigma_a$              |                   | .264***<br>(.007) |                   | .254***<br>(.007) |                   | .260***<br>(.007)  |                   | .249***<br>(.007)  |
| $\chi^2$                | 35.53             |                   | 96.14             |                   | 60.99             |                    | 124.04            |                    |
| Log likelihood          | -414              |                   | -362              |                   | -397              |                    | -347              |                    |
| Observations            | 882               |                   | 882               |                   | 882               |                    | 882               |                    |

| Stages | Rounds | Treatments |                   |                    |
|--------|--------|------------|-------------------|--------------------|
|        |        | Tax Rate   | Audit Probability | Redistribution     |
| 1      | 1      | 30%        | 5%                | No                 |
|        | 2      | 30%        | 5%                | Redistribution     |
|        | 3      | 30%        | 5%                | Redistribution x 2 |
| 2      | 4      | 5%         | 5%                | Redistribution     |
|        | 5      | 30%        | 5%                | Redistribution     |
|        | 6      | 50%        | 5%                | Redistribution     |
| 3      | 7      | 30%        | 5%                | Redistribution     |
|        | 8      | 30%        | 30%               | Redistribution     |
|        | 9      | 30%        | 50%               | Redistribution     |

**Fig. A1.** Treatments.

## **B. Instructions laboratory experiment**

This section contains the English translation of the instructions to participants (Section B1); the clerical task packet that was handled in hard copies to each participant at the beginning of each experimental session (Section B2); the screenshots of the clerical task and reporting stage (Section B3).

### **B1. Instructions to Participants**

*Notes: The experimenter reads the following instructions as the subjects read along on their computers.*

#### Screen 0 - ID CODES

Please type your work station code into the field on your computer. Your work station code is written in the card you picked up when you entered the room. If you have questions or problems, please raise your hand.

#### Screen 1 - WELCOME

Welcome! This is a study on how individuals undertake economic decisions. If you carefully follow the instructions, you can earn a reasonable sum of money. Your earnings will be computed in points, and converted in Euros at the end of today's study.

For each 100 points, you receive 1 Euro. In addition, you will also receive 3 Euros for your today's participation.

The answers you provide will be kept confidential. At the end of the study, you will receive your payment in cash. The payments will be issued in cash to one participant at a time. In this way none of the other participants will know how much you earned.

Please switch off your phone, do not talk to each other and listen to the instructions very carefully. If you have any questions during the study, please raise your hand and we will answer to you in private.

#### Screen 2 – OVERVIEW

Today's study is divided into four stages. Every stage is completely independent from the others: the choices you make in each stage will have no effect on your earnings in the other stages.

Your final earnings will be the sum of the earnings obtained in the four stages.

At the end of the four stages, you will be asked to complete a questionnaire.

#### Screen 3 – THE FIRST THREE STAGES

The first three stages of the study are similar to each other. At the beginning of each stage, you will be asked to perform a clerical task for 3 minutes.

Based on your performance, you will earn points that will constitute your earnings for each stage and will be converted into Euros at the end of today's study.

Each stage is composed by three rounds, during which you will be asked to report your earnings for tax purposes.

You are free to report any amount, from 0% to 100% of your actual earnings. You will be taxed only on the earnings you report.

There is, however, a probability of being audited. This probability will be announced at the beginning of each round. At the end of the study, your computer will roll a number between 0 and 100 for each round. If this number is between 0 and the announced probability of being audited, then you will be audited.

If you are audited and caught under-reporting your earnings, you will have to pay a fine equal to twice the tax you should have paid on the earnings you did not report. In other words, you will pay twice the tax you should have paid.

#### Screen 4 – CLERICAL TASK

The work that you will complete involves copying data about fictional students from a sheet of paper onto your computer, starting from the first line on the list and following the correct order.

Once you have completed the first line, click the NEXT button. If the computer detects a mistake, you will see an error message, and you will have to correct the mistake before proceeding. If there is no mistake, clicking NEXT will take you to a new one on which you can start the next line. For each row copied correctly, you will be paid 10 points.

#### Screen 5 – PRACTICE CLERICAL TASK

We now ask you to try a practice round of this clerical task for 2 minutes. Your performance in this practice round will not count towards your earnings. Please take the "CLERICAL TASK PACKET" that is near your computer, and go to Page 2. You will start with the first line on this page, which is row number 1.

#### Screen 6 – TRANSITION

Now that everyone has completed the clerical task #1, in the next three rounds you will be asked to report your earnings for tax purposes.

#### Screen 7 – INSTRUCTIONS: STAGE 1 ROUND 1

In the first round, we ask you to report your earnings for tax purposes. The tax rate is 30%.

Please remember that you are free to report any amount of your earnings from 0% to 100% for tax purposes. You will be taxed only on the earnings you report. There is, however, a 5% probability of being audited. At the end of the study, if you are audited and are caught under-reporting your earnings, you will pay the tax you should have paid on the earnings you did not report, plus a fine equal to that tax. In other words, you will pay twice the tax you should have paid on the earnings you did not report.

#### Screen 8 – EXAMPLE (PART 1)

Before we begin, consider the following examples. Let us assume that we have three participants: X, Y, and Z. All three participants copy 10 rows correctly during the clerical task, and each participant therefore earns 100 points. Participant X accurately reports his total real earnings of 100 points and, given that the tax rate is 30% he will pay 30 in taxes. His final earnings will therefore be 70 points ( $100 - 30$ ). Participant Y reports only 50 points, and she will pay 15 points (since you are taxed only on the earnings you report;  $50 \times 30\% = 15$ ). In this case, her final earnings will be 85 points ( $100 - 15$ ), if she is not audited and fined at the end of the study. Participant Z reports 0 points, he will pay 0 points in taxes and his final earnings will be 100 points, unless he is audited and fined at the end of the study.

#### Screen 9 – EXAMPLE (PART 2)

What happens if all three participants (X, Y, and Z) are audited and fined at the end of the study? If Participant X is audited, nothing happens: since he reported his total real earnings, he will not incur any penalty, and his final earnings will remain 70 points. If Participant Y is audited, then since she underreported her earnings, she will have to pay twice the tax she did not pay. Since she did not report 50 points, she owes 15 points in taxes. She will therefore have to pay twice the tax (30 points) and her final earnings will be 55 (since  $85 - 30 = 55$ ). If Participant Z is audited, then since he did not report 100 points, he owes 30 points in taxes. He will therefore have to pay 60 points and his final earnings will be 40 (since  $100 - 60 = 40$ ). During the study, do not worry about making these calculations. The computer will do them for you.

#### Screen 10 – REPORTING STAGE – STAGE 1 ROUND 1

We now ask you to report your earnings from the clerical task #1 for tax purposes. Remember that you are free to report any amount of your actual earnings and that you will be taxed only on the earnings you will report. Your earnings from the clerical task #1 and a summary of the instructions are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, please press “Continue” and answer the following question.

PERCEPTION [instructions only written in participants’ screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 11 – INSTRUCTIONS: STAGE 1 ROUND 2

The second round is very similar to the first one. As in the first round, we ask you to report your earnings for tax purposes. Again, you are free to report any amount of your earnings (from 0% to 100%) for tax purposes. You will be taxed only on the earnings you report.

The only difference between the first and the second round is that in the second round, the points that are collected in taxes from all participants will be put into a general fund and then redistributed in equal parts among all participants, regardless of how much each participant paid in taxes.

#### Screen 12 – EXAMPLE

Let us consider the following example. Let us assume that 3 people participate in the study, and that each one of them earns 100 points during the clerical task. One participant reports 100 points, one reports 50 points, and the other reports 0 points. The amount collected in taxes and put into the general fund is therefore 45 points (since  $30+15+0=45$ ). Each participant receives 15 points from the general fund. (since  $45/3 = 15$ ).

#### Screen 13 – REPORTING STAGE - STAGE 1 ROUND 2

We now ask you to report your earnings from clerical task #1 for tax purposes. Please remember that the amount you report in this round is in no way connected to the amount you reported and the tax you paid in the previous round. In other words, your earnings are exactly of the same amount as at the beginning of the first round.

Your earnings from the clerical task #1 and a summary of the instructions are on your screen. Please report your earnings for tax purposes now.

When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants’ screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 14 – INSTRUCTIONS - STAGE 1 ROUND 3

The third round is similar to the second one. The only difference is that the amount of money that is collected and put into the general fund is now multiplied by 2 before being redistributed in equal parts among all participants. Again, everyone receives an equal amount from the general fund, regardless of the amount that each participant paid in taxes.

#### Screen 15 – EXAMPLE

Let us consider the following example. Let us assume that 20 people participate in the study and that each of them pays 100 points in taxes. In this case, the total amount of tax collected is 2000 points, and the amount in the general fund will be 4000 (since  $2000 \times 2 = 4000$ ). Each participant will thus receive 200 points from it (since  $4000/20 = 200$ ).

### Screen 16 – REPORTING STAGE - STAGE 1 ROUND 3

We now ask you to report your earnings from clerical task #1 for tax purposes. Please remember that you are free to report any amount (from 0% to 100%) of your actual earnings. Your earnings from the clerical task #1 and a summary of the instructions are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

### Screen 17 – STAGE 2: INTRODUCTION

Now let's begin the second stage of the study. The second stage is very much like the first stage. We will again ask you to perform a clerical task for 3 minutes. Based on your performance, you will earn points, which will constitute your earnings in this stage, and which will be converted into Euros at the end of the study.

As in the previous stage, you will participate in three different rounds, during which we will ask you to report your earnings for tax purposes. You are free to report any amount (from 0% to 100%) of your earnings. You will be taxed only on the earnings you report.

As in the previous stage, there is a 5% probability of being audited. At the end of the study, if you are audited and it is discovered that you have under-reported your earnings, you will have to pay a fine equal to twice the tax you should have paid on the earnings you did not report.

In each round, the points that are collected in taxes from all participants will be put in a general fund and redistributed in equal parts among all participants, regardless of how much each participant paid in taxes.

### Screen 18 – CLERICAL TASK

We now ask you to perform the clerical task #2 for 3 minutes. Afterwards, you will be told how many points you earned. The points you earn will constitute your earnings for the next three rounds.

Please go to page 4 of the "CLERICAL TASK PACKET", entitled "Clerical Task #2." You will start with the first line on this page, which is row number 201. Once again, we ask you to focus on the clerical task, so that you can earn as much as possible by correctly completing it.

### Screen 19 – TRANSITION SCREEN

Now that everyone has completed the clerical task #2, in the next three rounds you will be asked to report your earnings for tax purposes.

### Screen 20 – INSTRUCTIONS: STAGE 2 ROUND 1

In the first round, we ask you to report your earnings for tax purposes. The tax rate is 5%. Please remember that you are free to report any amount of your earnings (from 0% to 100%) for tax purposes. You will only be taxed on the earnings you report.

In each round, the points that are collected in taxes from all participants will be put in a general fund and redistributed in equal parts among all participants, regardless of how much each participant paid in taxes. There is, however, a 5% probability of being audited, as in the previous stage. At the end of the study, if you are audited and caught under-reporting your earnings, you will pay the tax you should have paid on the earnings you did not report, plus a fine equal to that tax. In other words, you will pay twice the tax you should have paid on the earnings you did not report.

### Screen 21 – REPORTING STAGE - STAGE 2 ROUND 1

We now ask you to report your earnings from clerical task #2 for tax purposes. Please remember that the amount you report in this round is in no way connected to the amount you reported and the tax you paid in the previous rounds. Your earnings from the clerical task #2 and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 22 – INSTRUCTIONS: STAGE 2 ROUND 2

The second round is similar to the first one. The only difference is that the tax rate is now 30%.

#### Screen 23 – REPORTING STAGE - STAGE 2 ROUND 2

We now ask you to report your earnings from clerical task #2 for tax purposes. Please remember that you are free to report any amount of your actual earnings, and that only the earnings you declare will be taxed. Your earnings from the clerical task and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many Screen participants in this room declared their true earnings for tax purposes?

#### Screen 24 – INSTRUCTIONS: STAGE 2 ROUND 3

The third round is very similar to the first and second rounds. The only difference is that the tax rate is now 50%.

#### Screen 25 – REPORTING STAGE - STAGE 2 ROUND 3

We now ask you to report your earnings from clerical task #2 for tax purposes. Please remember that you are free to report any amount of your actual earnings, and that only the earnings you declare will be taxed. Your earnings from the clerical task and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 26 – STAGE 3: INTRODUCTION

Now let's move on to the third stage of the study. The third stage is very similar to the previous ones. We will ask you once again to perform a clerical task for 3 minutes. Based on your performance, you will earn points, which will constitute your earnings in this stage, and will be converted in Euros at the end of the study.

As in the last stage, you will participate in different rounds, during which we will ask you to report your earnings for tax purposes. You are free to report any amount (from 0% to 100%) of your earnings. You will only be taxed on the earnings you report.

The probability of being audited is different in each of the following three rounds. The different probabilities will be announced at the beginning of each round. At the end of the study, if you are audited and it is discovered that you have under-reported your earnings, you will have to pay a fine equal to twice the tax you should have paid on the earnings you did not report.

As in the previous stage, the points collected in taxes from all participants will be put into a general fund and redistributed in equal parts among all participants, regardless of how much each participant paid in taxes.

#### Screen 27 – CLERICAL TASK #3

We now ask you to perform the clerical task for 3 minutes. Afterwards, you will be told how many points you earned. The points you earned will constitute your earnings in the three rounds of this stage, in which we will present you with different scenarios and ask you to report your earnings for tax purposes.

Please go to page 5 of the "CLERICAL TASK PACKET", entitled "Clerical Task #3." You will start with the first line on this page, which is row number 301. Once again, we ask you to focus on the clerical task, so that you can earn as much as possible by correctly completing it.

#### Screen 28 – TRANSITION SCREEN

Now that everyone has completed the clerical task #3, we will present you with the different scenarios in which you will have to report your earnings for tax purposes.

#### Screen 29 – INSTRUCTIONS: STAGE 3 ROUND 1

As in the previous stages, we ask you to report your earnings for tax purposes, at the tax rate of 30%. Again, you are free to report any amount of your earnings (from 0% to 100%) for tax purposes. You will only be taxed on the earnings you report. There is a 5% probability of being audited. At the end of the study, if you are audited and it is discovered that you have under-reported your earnings, you will have to pay a fine equal to twice the tax you should have paid on the earnings you did not report.

As in the previous stage, the points collected in taxes from all participants will be put into a general fund and redistributed in equal parts among all participants, regardless of how much each participant paid in taxes.

#### Screen 30 – REPORTING STAGE - STAGE 3 ROUND 1

We now ask you to report your earnings for tax purposes. The probability of being audited is 5%. Your earnings from the clerical task #3 and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 31 – INSTRUCTIONS: STAGE 3 ROUND 2

The second round is similar to the first one. The only difference is that the probability of being audited is now 30%.

#### Screen 32 – REPORTING STAGE - STAGE 3 ROUND 2

We now ask you to report your earnings from clerical task #3 for tax purposes. Please remember that you are free to report any amount (from 0% to 100%) of your actual earnings. Your earnings from the clerical task #3 and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 33 – INSTRUCTIONS: STAGE 3 ROUND 3

The second round is similar to the first one. The only difference is that the probability of being audited is now 50%.

#### Screen 34 – REPORTING STAGE - STAGE 3 ROUND 3

We now ask you to report your earnings from clerical task #3 for tax purposes. Please remember that you are free to report any amount (from 0% to 100%) of your actual earnings. Your earnings from the clerical task #3 and a summary of the instruction are on your screen.

Please report your earnings for tax purposes now. When you have finished reporting your earnings, and answer the following question.

PERCEPTION [instructions only written in participants' screens]: In your opinion, how many participants in this room declared their true earnings for tax purposes?

#### Screen 35 – INSTRUCTIONS 4.0

The third stage of this study is now completed. The fourth stage will start in a few minutes.

#### Screen 36 - STAGE 4: INTRODUCTION (I)

Now let's move on to the fourth stage of the study. This stage is completely different from the previous ones. The fourth stage is composed by 10 rounds, in each of which we will ask you to decide between two different options.

Based on your choices and on chance, you will earn points, which will constitute your earnings in this stage, and will be converted in Euros at the end of the study. Please make your choices carefully.

In each screen, for ten times, you will have to choose between Option A and Option B. Please look at page 6 in the Clerical Task Packet. Let us consider the first row. You will have to choose between the following two alternatives: Option A is a lottery that pays either 20 points with probability 1/10 (10%), or 16 points with probability 9/10 (90%); Option B is a lottery that pays 38.5 points with probability 1/10 (10%), or 1 point with probability 9/10 (90%).

#### Screen 37 - STAGE 4: INTRODUCTION (II)

In each round, the computer will roll a random number between 0 and 100. Your earnings will be computed on the basis of the random number and your chosen option. You will receive information about the points you earned in this stage at the end of the study.

Your earnings for this fourth stage will be computed as the sum of the points you earned in the 10 rounds.

#### Screen 38 - STAGE 4: EXAMPLE

Let us consider an example. Please look at page 6 of the "CLERICAL TASK PACKET". Let us consider the first row. If you choose Option A, you can either earn 20 points with a 10% probability or 16 points with 90% probability. If you choose Option B, you can either earn 38.5 points with 10% probability or 1 point with 90% probability. Let us suppose that you choose Option A and that the random number rolled by the computer is 5. Since 5 is between 0 and 10, you earn 20 points in the first round. Let us now suppose that you instead choose Option B and that the random number rolled is 5 as before. Since 5 is between 0 and 10, you earn 38.5 points in the first round.

#### Screen 39 - NOTE LOTTERY

Please note that once you make a decision in each round, you cannot come back to change it. You are now going to start with the first decision.

#### Screen 40 – PAYMENTS

The next few screens will reveal your earnings for each stage and each round of the study, including whether you were audited and fined in a particular round. You may move through these screens at your own pace; you do not need to wait for permission to move to the next screen. The final screen will convert your earnings from points into Euros, so that you can see how much you will be paid for your participation in this study.

#### Screen 41 – QUESTIONNAIRE INSTRUCTIONS

Finally, we will ask you to complete a short questionnaire, which we will hand out shortly.

Please remain seated and refrain from talking to other participants. Once everyone has completed the questionnaire, we will give you instructions about how to receive your payment.

[*Notes: verbal instructions only*] You have now completed all the stages of the study. Please remain seated and in silence. We will now distribute your payment in a closed envelope. Please check that the amount you find in the envelope corresponds to the amount you have seen on the final screen. We will now call one work station code at a time for an orderly exit from the lab.

Please be prepared to leave the lab and wait until we announce your work station code. You have to give us back: the receipt, completely filled out and signed; the empty envelope of the payment; the number of your work station.

**B2. Clerical Task Packet**

*Notes: The clerical task packet consisted of 5 pages and was handled to each participant at the beginning of each experimental session.*

**CLERICAL TASK  
PACKET**

**PLEASE DO NOT TURN THE PAGE  
UNTIL ANNOUNCED**

**PLEASE LEAVE THIS PACKET ON YOUR DESK  
AT THE END OF THE STUDY**

**THANK YOU**

**PRACTICE CLERICAL TASK**

| Row | ID Code | Last Name | First Name | Grade |
|-----|---------|-----------|------------|-------|
| 1   | 015678  | Gnpuwy    | Hgjkwz     | 7     |
| 2   | 124578  | Wekrzb    | Dfhlnx     | 0     |
| 3   | 259076  | Dfioqvw   | Cikvwx     | 4     |
| 4   | 013457  | Bdefiruy  | Guzyhmi    | 9     |
| 5   | 134567  | Fmhyni    | Cfikmw     | 5     |
| 6   | 987231  | Chkopvwx  | Unpzmyio   | 0     |
| 7   | 018973  | Bgjkly    | Bhiqsvx    | 5     |
| 8   | 967453  | Fhnptwx   | Bcgipst    | 1     |
| 9   | 689043  | Fmorvw    | Cdjlpqr    | 8     |
| 10  | 234567  | Abehlpuv  | Bgipquvw   | 8     |
| 11  | 012348  | Dfkmqrs   | Bemorstw   | 4     |
| 12  | 980531  | Jkpqtvwy  | Dfhijx     | 1     |
| 13  | 123567  | Cprsky    | Efikmrv    | 9     |
| 14  | 045678  | Befkmvwx  | Gkmpwy     | 5     |
| 15  | 920187  | Gdxjszr   | Abcinrtv   | 1     |
| 16  | 012567  | Abchpsxy  | Bcdgistw   | 2     |
| 17  | 945706  | Ahjkstxy  | Xfdzik     | 8     |
| 18  | 168903  | Hinstv    | Cflorsv    | 9     |
| 19  | 589104  | Aghjqutux | Cdfhlm     | 1     |
| 20  | 391702  | Bfopqt    | Wrlzy      | 5     |

*Page 1 of the Clerical Task Packet*

**CLERICAL TASK #1**

| Row | ID Code | Last Name | First Name | Grade |
|-----|---------|-----------|------------|-------|
| 101 | 957302  | Iklmqy    | Dglpqtwy   | 0     |
| 102 | 023568  | Zsefgwt   | Ipdbzycx   | 6     |
| 103 | 469217  | Ginvxy    | Zuexfkja   | 8     |
| 104 | 528196  | Tmgczu    | Zjpvwks    | 9     |
| 105 | 816593  | Bcdhknoy  | Klprswx    | 9     |
| 106 | 125678  | Bhmoqsuy  | Bcglnvwx   | 1     |
| 107 | 012468  | Amnsux    | Cfiloy     | 0     |
| 108 | 912065  | Ysjzmucl  | Cgiltvw    | 7     |
| 109 | 432970  | Bdgnsx    | Wbzaqv     | 7     |
| 110 | 234567  | Vzbnjp    | Zmfbgo     | 6     |
| 111 | 391586  | Fijkln    | Zwmvojn    | 5     |
| 112 | 957168  | Agjmnqt   | Bcijktw    | 3     |
| 113 | 864791  | Agortu    | Ciklmqry   | 5     |
| 114 | 023478  | Adfijklo  | Abdinov    | 3     |
| 115 | 012346  | Cdehinrx  | Gijktxy    | 2     |
| 116 | 069732  | Bfjlnrvx  | Ogmrnyzq   | 5     |
| 117 | 895642  | Bejkqruy  | Zfpqwi     | 1     |
| 118 | 123678  | Zuwpmd    | Efglotxy   | 9     |
| 119 | 582194  | Bglmnptu  | Efhknrx    | 0     |
| 120 | 578369  | Ubzeol    | Eoruvwx    | 3     |

*Page 2 of the Clerical Task Packet*

**CLERICAL TASK #2**

| Row | ID Code | Last Name | First Name | Grade |
|-----|---------|-----------|------------|-------|
| 201 | 946538  | Zuwlag    | Adgmrvwy   | 8     |
| 202 | 169305  | Aclnow    | Eimnpix    | 1     |
| 203 | 123478  | Bcprsux   | Abfjtu     | 6     |
| 204 | 054912  | Wocmzt    | Cefijlxy   | 9     |
| 205 | 124678  | Oezscd    | Ngjrdzcm   | 9     |
| 206 | 012358  | Bcikmnop  | Kmbfjiz    | 3     |
| 207 | 014568  | Aeiprswy  | Cfhirtv    | 7     |
| 208 | 015678  | Tzpkfybh  | Cmqsvx     | 1     |
| 209 | 012678  | Bizwpsq   | Fginrsvy   | 0     |
| 210 | 012348  | Ulozim    | Zqgkan     | 7     |
| 211 | 012567  | Rizbwh    | Bfhmqrv    | 0     |
| 212 | 023457  | Bejknprs  | Aejkqrsy   | 0     |
| 213 | 894137  | Dehikmpq  | Aukxzrgc   | 7     |
| 214 | 234567  | Eglmpqt   | Egjlprt    | 6     |
| 215 | 012368  | Kvziefpy  | Ceklnqtv   | 5     |
| 216 | 135678  | Adeqrvw   | Ftzkix     | 6     |
| 217 | 980631  | Aijprt    | Ajklvwx    | 4     |
| 218 | 137940  | Almqruy   | Bcloqsuv   | 0     |
| 219 | 645190  | Cfijmnsx  | Wdfvqjz    | 4     |
| 220 | 701395  | Cdegjls   | Bdiopq     | 7     |

**CLERICAL TASK #3**

| Row | ID Code | Last Name | First Name | Grade |
|-----|---------|-----------|------------|-------|
| 301 | 212678  | Glmppvwy  | Ahiqstx    | 4     |
| 302 | 124678  | Bcghpv    | Ipzkvdsj   | 4     |
| 303 | 139625  | Cgoqsy    | Bcdjmtw    | 1     |
| 304 | 739014  | Agiluy    | Tefzqnlb   | 7     |
| 305 | 541903  | Chdaqxzb  | Zgqlkjt看   | 4     |
| 306 | 507936  | Abcjpty   | Cfkmnw     | 1     |
| 307 | 123456  | Cgikmprv  | Dinouwx    | 1     |
| 308 | 123567  | Lhtiwrzx  | Aejksux    | 0     |
| 309 | 178965  | Gijkmqy   | Izohvn     | 6     |
| 310 | 835690  | Mkbylwzs  | Fijkrwxy   | 2     |
| 311 | 805796  | Uilzowpv  | Adfgoqru   | 1     |
| 312 | 968375  | Cfginwy   | Afglnqu    | 0     |
| 313 | 150496  | Qgtzpm    | Jpstvy     | 4     |
| 314 | 584920  | Jaxdvqzb  | Adflnrtu   | 8     |
| 315 | 934256  | Chokzbpr  | Bemstuvx   | 2     |
| 316 | 267934  | Bdhknowx  | Adjlpuvx   | 1     |
| 317 | 225678  | Gftzjau   | Dlfgyzts   | 4     |
| 318 | 230791  | Cflmstux  | Fhklnqt    | 7     |
| 319 | 864905  | Cdhwxy    | Ghpquv     | 0     |
| 320 | 223458  | Afknqrtu  | Acdkprvx   | 8     |

*Page 4 of the Clerical Task Packet*

**STAGE 4**

| DECISION | OPTION A                                                       | OPTION B                                                       |
|----------|----------------------------------------------------------------|----------------------------------------------------------------|
| 1        | 20 points with probability 10%; 16 points with probability 90% | 38.5 points with probability 10%, 1 point with probability 90% |
| 2        | 20 points with probability 20%; 16 points with probability 80% | 38.5 points with probability 20%, 1 point with probability 80% |
| 3        | 20 points with probability 30%; 16 points with probability 70% | 38.5 points with probability 30%, 1 point with probability 70% |
| 4        | 20 points with probability 40%; 16 points with probability 60% | 38.5 points with probability 40%, 1 point with probability 60% |
| 5        | 20 points with probability 50%; 16 points with probability 50% | 38.5 points with probability 50%, 1 point with probability 50% |
| 6        | 20 points with probability 60%; 16 points with probability 40% | 38.5 points with probability 60%, 1 point with probability 40% |
| 7        | 20 points with probability 70%; 16 points with probability 30% | 38.5 points with probability 70%, 1 point with probability 30% |
| 8        | 20 points with probability 80%; 16 points with probability 20% | 38.5 points with probability 80%, 1 point with probability 20% |
| 9        | 20 points with probability 90%; 16 points with probability 10% | 38.5 points with probability 90%, 1 point with probability 10% |
| 10       | 20 points with probability 100%; 16 points with probability 0% | 38.5 points with probability 100%, 1 point with probability 0% |

*Page 5 of the Clerical Task Packet*

### B3. Screenshots

#### Screenshot 1: Clerical Task

Remaining Time [sec]: 115

| Row | ID Code | Last Name | First Name | Grade |
|-----|---------|-----------|------------|-------|
| 103 |         |           |            |       |

NEXT

## Screenshot 2: Tax Reporting Decision

### REPORTING STAGE

We now ask you to report your earnings from the clerical task #1 for tax purposes.

Remember that you are free to report any amount of your actual earnings and that you will be taxed only on the earnings you will report.

Your earnings from the clerical task #1 and a summary of the instructions are on your screen.

**Summary:**

- Your earnings from clerical task #1: 20 points;
- Tax rate: 30%;
- Probability of being audited 5%;
- At the end of the study, if you are audited and caught under-reporting your earnings, you will pay twice the tax you should have paid on the earnings you did not report.

**Report your earnings for tax purposes here:**

**CONTINUE**