Title: The Effects of Unemployment Insurance Taxation on Multi-Establishment Firms

Abstract:
This paper investigates whether and to what extent state-level differences in business taxes influence the location decisions and labor demand of multi-establishment firms. In the United States, each state administers its own unemployment insurance (UI) program, and cross-state variation leads to significant differences in the UI tax costs faced by employers in different states. Leveraging the existing locations of multi-state manufacturing firms for identification, I find that high tax plants were more likely to exit during economic downturns, and less likely to hire during the recovery. These findings suggest that a nationally administered UI tax system could decrease exit rates while also raising additional tax revenue.