

Asking Flexible Disaggregated Income - Gross or Net Figures - vs Single Total Question: Evaluation from Panel on Household Finance

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Paper Abstract: The PHF (Panel on Household Finance) questionnaire offers a couple of flexibility in answering the income information, especially choosing between gross and net values. We have developed a tax microsimulation model for the standardization (converting between gross and net) and imputation. The survey also collects a total monthly household disposable income as many general purpose surveys do. This paper documents our microsimulation model by showing the effectiveness of this innovation in collecting income through surveys and implementation by incorporating the unique tax class choice in German upfront income tax system. We then evaluate the data quality and potential contribution from this innovation by comparing the distributions from ours and a counterfactual asking only gross incomes as commonly done by other surveys. We also compare the difference between the disposable incomes derived by tax microsimulation and aggregation and the single self-reported one. Both comparisons reveal the disagreements appearing to be correlated with the income tax schedule and become significant in most progressive area of the distribution.