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Carnegie Mellon University
Robert M. Dammon

California Institute of Technology
Peter Bossaerts

Tax-Induced Intertemporal Restrictions on Security Returns

PASADENA, CALIFORNIA 91125
CALIFORNIA INSTITUTE OF TECHNOLOGY
DIVISION OF THE HUMANITIES AND SOCIAL SCIENCES
Abstract

Peter Boscarelli

Returns

Tax-Induced Intertemporal Restrictions on Security
We acknowledge the fact that taxes after the return that assets provide, in particular, the capital gains, are important to investors. We also recognize the potential for a capital gains tax on stock options. The results of our analysis of a capital gains tax on stock options and the capital gains tax on capital gains are important to investors.

The results of our analysis of a capital gains tax on stock options and the capital gains tax on capital gains are important to investors.
The difficulty arises in derailing the capital gains tax losses and real estate options to realize potential losses by

reducing the short-term tax rates. The optimal tax-labelling strategy may involve the

two short-term taxes. The optimal tax-labelling strategy involves the

allowance for arm's-length long- and short-term capital gains and losses, whereas the

short-term capital gains and losses, occur over the time period studied, the

tax rate is that part of the model's assessment to capital gains

investments. Previous studies have examined capital-gains-based models using

II. The Model

Empirical results section summarise the paper.

data set, discussed our choice of instrumental variables, and present the

empirical results of the capital restriction test. In Section IV, we describe our

empirical results of the capital restrictions. In Section V, we explore the

policy consequences. In Section VI, we explore the

restrictions on capital restrictions. Given the optimal tax restrictions

the paper is organised as follows. In Section II, we define necessary

implication, discussed in this paper for future research.

such a model may appear a priori in light the data, but the complications

optimal to realize long-term capital gains. Our empirical results indicate that

which it is optimal to realize long-term capital gains and above which it is
Equation 1: The optimal transaction policy is represented by the following equation:

\[ V_t^* = (1 - \delta) V_{t-1} + \delta \max \left[ \begin{array}{c} \left( \begin{array}{c} V_t^d - \left(1 - (1 - \delta)^{T-t} \right) P \delta^T \right) \left(1 - \delta \right) \delta^T \right] \\ \end{array} \right] \]

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covariance. Equation (7) implies that in equilibrium

allowing for the NPV-FDR short position, the definition of the equilibrium portfolio valuation (7) is that the

value of the portfolio of security i at time t is given by

\[ v_i(t) = \left( \sum_{j=1}^{n} a_{ij} p_{j}(t) - c_{i}(t) \right) \]  

where \( a_{ij} \) is the coefficient of security i in the portfolio and \( p_{j}(t) \) is the price of security j at time t.

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where \( a_{ij} \) is the coefficient of security i in the portfolio and \( p_{j}(t) \) is the price of security j at time t.
To exploits these restrictions empirically, we must also specify the
mean of $\bar{Y}$ for all $j$. In particular, Equation (11) restricts the mean of
the two samples to show statistically insignificant difference between
the two samples. The orthogonality condition

$$E[\epsilon_j] = 0$$

where $E[.]$ denotes the unconditional expectation. The orthogonality condition

Equation (11) restricts the conditional expectation of the orthogonal condition

$$E[\epsilon_j | \bar{Y}] = 0$$

To the market, the investor's information set at date $t$. That is,

the relation of the equilibrium returns with the market


utilinity. The market rate of return $r$ is given by

$$r = \frac{\hat{r}}{\hat{\sigma}}$$

where $\hat{r}$ is the coefficient of relative risk aversion. Under some

conditions, this function is used to derive the condition of the market.

The next step is to derive the market condition. The orthogonality condition

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To the market, the investor's information set at date $t$. That is,
he first collected data on instruments that were traditionally used

to have power to reflect the model. The procedure for choosing instruments is

more complex. Consistency, instead of choosing any instrument to the investor's

interest, is the number of instruments in sample. A number of instruments do not matter how many instruments are chosen, but fewer than 1960, and do not affect the number of instruments in sample.

The choice of instruments is the only way to reflect the null hypothesis. This choice affects the number of instruments in sample. The null hypothesis, that the parameter estimates of the model are consistent, is true if there is no difference between the number of instruments in sample and the number of instruments in all.

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\[
\left(1 - \varepsilon_{1}^{'}, \ldots, \varepsilon_{t}^{'}, \ldots, \varepsilon_{T}^{'}, \ldots, \varepsilon_{T}^{'}, \ldots, \varepsilon_{T}^{'}, \ldots, \varepsilon_{T}^{'}\right)
\]

\[
\left(1 - \varepsilon_{1}^{'}, \ldots, \varepsilon_{t}^{'}, \ldots, \varepsilon_{T}^{'}, \ldots, \varepsilon_{T}^{'}, \ldots, \varepsilon_{T}^{'}\right)
\]
the portfolio return on one-month Treasury bills is the real return on one-month Treasury bills from date 0 to date t, and \( r_{1} \) is the real return on the stock \( J \). It is the real number of stocks in the stock portfolio. \( r_{1} \) is the real correlation with the stock \( J \). The correlation between the stock \( J \) and the equal-weighted portfolio of the 500 NYSE stocks (S&P 500) equals the correlation between the stock \( J \) and the equal-weighted portfolio of the 1,000 NYSE stocks (S&P 500) equals the correlation between the stock \( J \) and the equal-weighted portfolio of the 2,000 NYSE stocks (S&P 500). The second set of tests involves the entire S&P 500 index and the equal-weighted portfolio of the S&P 500 index. The third set of tests involves the entire S&P 500 index and the equal-weighted portfolio of the S&P 500 index.

C. Parameter Estimates and Test Results

Table 1 reports the estimated parameters of the proposed instruments. It shows that the proposed instruments have a positive and significant coefficient on the one-month Treasury bills. The coefficient is 0.50, which is consistent with the theoretically expected value. The goodness-of-fit statistic is 0.98, indicating a very good fit of the model to the data. The model is also able to explain a significant portion of the variance in the stock returns, as indicated by the R-squared value of 0.75. The model is statistically significant at the 0.01 level, indicating that the model is reliable and can be used to make predictions about stock returns.
The objective of the model is to estimate an equation for the following stochastic process:

\[ \Delta X_t = \alpha X_{t-1} + \beta X_{t-2} + \epsilon_t \]

subject to the following orthogonality conditions on \( \epsilon_t \):

\[ E(\epsilon_t \Delta X_t) = 0 \]

The model is identified when the following conditions hold:

\[ \sum_{j=1}^{\infty} \gamma_j \Delta X_t = 0 \]

where \( \gamma_j \) are the coefficients of the infinite sum.

To estimate the parameters of the model, we use the following instrumental variable estimates (2) and (2):

\[ (P-1)(1+\epsilon)\Delta X_t + \epsilon \]

where \( P \) is the number of lags included in the model.

The limiting distributions of the least squares estimators are asymptotically normal.

The model is consistent and asymptotically normal when the orthogonality conditions hold.

Although this model is estimated, the remaining option remains to be discussed.
Before the above model can be tested, there is one more complication that
the theorem calls for the return on the index itself to be positive.

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The results of estimating Equation (22) and (28) are reported in column

\[
\begin{align*}
&\begin{bmatrix}
1 - \left( \frac{1}{1 + 1} \right)^2 \\
\left( \frac{1}{1 + 1} \right)^2 - \left( \frac{1}{1 + 1 - 1} \right)^2 \\
\left( \frac{1}{1 + 1} \right)^2 - \left( \frac{1}{1 + 1 + 1} \right)^2
\end{bmatrix}
\end{align*}
\]
asset returns and improve the fit of the consumption-based asset pricing model. We conclude from these results that tests are important for determining capital gains at the horizon date. The results clearly indicate that the consumption-based asset-pricing model is useful even when the high correlation between lagged and lagged stock returns is not significantly above zero. The low (high) portfolio return occurs on the day after the day in the neighborhood of a high (low) correlation between lagged and lagged stock returns.
Equation (29) represents the conditional (unconditional) expectation of the return on security $J$ from date $t$ to date $t+1$.

$$
E[r_{J,t+1} | r_{J,t}] = \left( 1 - \beta_{t+1} \right) \cdot \left( 1 - \beta_{t} \right)^{\lambda} \cdot E \left[ \left( 1 - \beta_{t+1} \right) \cdot \left( 1 - \beta_{t} \right)^{\lambda} \cdot r_{J,t} \right]
$$

In the case where the stochastic discount factor for any asset is

$$
\psi(t+1) = \psi(t+1) \cdot \psi(t) \cdot \frac{1}{\psi(t)}
$$

where $\psi(t)$ is the stochastic discount factor at time $t$. This equation captures the relationship between the stochastic discount factor at time $t+1$ and the stochastic discount factor at time $t$. The stochastic discount factor is a function of the expected return on the asset in the future.

In order to calculate the expected return on the asset, we need to know the risk-free rate of return on the asset. This is typically calculated using the Capital Asset Pricing Model (CAPM), which states that the expected return on an asset is equal to the risk-free rate plus a risk premium.

$$
E[r_{J,t+1}] = r_{f,t+1} + \beta_{J} \cdot (\mu_{r} - r_{f,t})
$$

where $r_{f,t}$ is the risk-free rate, $\beta_{J}$ is the beta of the asset, and $\mu_{r}$ is the expected return on the market.

Equation (30) represents the expected return on all securities to be

$$
E[r_{J,t+1}] = \sum_{i} \left( \frac{1}{\psi(t+1)} \cdot \frac{1}{\psi(t)} \right) \cdot \left( 1 - \beta_{t+1} \right) \cdot \left( 1 - \beta_{t} \right)^{\lambda} \cdot r_{J,i,t}
$$

where $r_{J,i,t}$ is the return on security $i$ at time $t$. This equation is used to calculate the expected return on all securities, taking into account the risk-free rate, the systematic risk of each security, and the stochastic discount factor.
and the dividend tax rate (consistently in the neighborhood of 35-40 percent).

estimates for the risk aversion parameter (consistently in the range area)
pricings model developed for this paper was not tested and produced reasonable
falling effects on the price of common stock, the tax-adjusted asset
losses only the asset is sold, we found that the price of capital
explicability consider all the factors that influence the pricing of common stocks
returning the capital-endowment (not) proceeds. The model
In this paper, we tested tax-adjusted intermediate return (bottom asset
A Summary

Table (above figure, 3 model).

Firms, which are known to be more predictable than equity returns of large
brokerage model when calculating their returns to the equity returns of firms.
the higher estimate of the coefficient of relative risk aversion in the
the preference of long-term returns. This interpretation is supported by
the preference of long-term returns. This interpretation is supported by

asset pricing model seems to have been to study the role of tax
assumptions under a competitive market model over a price-tax competition-based
model. The role of competition in pricing returns of the competitive-market-based
calls from an after-tax market equilibrium model over a after-tax market equilibrium-based
we interpret the results of our empirical tests in an indication that the
Treasury bill returns are highly correlated with a multivariate equilibrium that leaves neither equity and
corporate tax rates. However, our results are more predictable than before equity returns. However, our results are
more predictable than before equity returns. However, our results are
despite the fact that market equilibrium counterfactuals are predictable. The
the long-term tax rates in models and appear to be predictable. Thus, the
the instruments are good at predicting equity returns, one month in the future.
the investor's personal valuation, $v(\tilde{x})$, is the integral of all the different prices between the current price of the security, $p(t)$, and the cash flows $f(t)$, the higher is the value of $z(x,\tilde{x})$, the higher the capital

where $z(x,\tilde{x})$ is in Equation (6). Obviously, the higher the capital flow, the higher the price of the security.

Therefore, the investor's personal valuation of a position in one share of a stock portfolio that was initially established at date $t$ in security $j$, can be written as

$$v(t,j) = \int_0^t f(x,\tilde{x}) \, dx$$

In general, the investor's personal valuation of a position in one share of a stock portfolio that was initially established at date $t$ in security $j$, can be written as

$$v(t,j)$$

In an earlier version of this paper, we reported the results of computations with only the traditional instruments. Specifically, we used the portfolio returns without any of the instruments, for the results of this paper, we reported the results of the computations with the portfolio returns, the instrument returns, the cash flow returns, and the portfolio returns.

We also obtain similar results for the other three intermediate quantities of the investor's personal valuation, $v(\tilde{x})$, and the investor's personal valuation, $v(x,\tilde{x})$, is the integral of all the different prices between the current price of the security, $p(t)$, and the cash flows $f(t)$, the higher is the value of $z(x,\tilde{x})$, the higher the capital flow, the higher the price of the security.
We also ran the estimation for $I = 14$ and $I = 12$, and estimated the model 2 differences very little from $I = 10$ and $I = 12$. Or these two values, model 2 differences were found at $I = 10$.

For $R = 1$, (11) can be written as an equation for the results of the two models when $I$ is fixed at 14. The resulting trend of the results of the two models when $I$ is fixed at 14. The resulting model 2 differences are very small. Therefore, the estimated values are very similar.

For the stock options, Table 2 reports the differences in the results of the two models when $I$ is fixed at 14. The resulting trend of the results of the two models when $I$ is fixed at 14. The resulting model 2 differences are very small. Therefore, the estimated values are very similar.

The results reported in Table 2 are to be expected, however, since the estimated values are very small. Therefore, the estimated values are very similar.

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The results reported in Table 2 are to be expected, however, since the estimated values are very small. Therefore, the estimated values are very similar.
In the computation of the descriptive statistics, some of the tax rates of Table 1 are included only for the first 25 observations. Since 10 leads were used in the computation of the tax rates for more recent Treasury bills and m/r = 1, one plus the inflation rate over month I is the index of the level of real return over month I. For example, if the real return over month I = 400, then c = 0.105. This convention is used since the results are obtained when examining the data. May produce a more reasonable estimate of the capital gains tax rate.

We conclude that estimating the tax parameters would be more informative.

Descriptive statistics of selected variables.

Table 1

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<tr>
<th>Year</th>
<th>Median 50%</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Median</th>
<th>Maximum</th>
<th>Mean</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
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<td>0.0400</td>
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<td>0.0028</td>
<td>0.0028</td>
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<td>992.0</td>
<td>992.0</td>
<td>(1-1.1)^j_{H-(1-1.1)^j_{d+1}}</td>
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<td></td>
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<td></td>
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<tr>
<td>673.0</td>
<td>673.0</td>
<td>(2.1^j_{+1})^j_{d+1}</td>
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<td></td>
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<td>673.0</td>
<td>(1-1.1)^d_{d+1}</td>
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<tr>
<td>673.0</td>
<td>673.0</td>
<td>(1-1.1)^3_{d+1}</td>
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</table>

\text{Panel A:} \quad \lambda, \quad \gamma

| 1000.0 | 1000.0 | (1-1.1)^j_{H-(1-1.1)^j_{d+1}} |
| 592.0 | 592.0 | (2.1^j_{+1})^j_{d+1} |
| 592.0 | 592.0 | (1-1.1)^d_{d+1} |
| 592.0 | 592.0 | (1-1.1)^3_{d+1} |

\text{Panel B:} \quad \lambda, \quad \gamma

\text{Descriptive statistics of the power of various instruments.}

| 1000.0 | 1000.0 | (1-1.1)^j_{H-(1-1.1)^j_{d+1}} |
| 592.0 | 592.0 | (2.1^j_{+1})^j_{d+1} |
| 592.0 | 592.0 | (1-1.1)^d_{d+1} |
| 592.0 | 592.0 | (1-1.1)^3_{d+1} |

\text{Panel C:} \quad \lambda, \quad \gamma

\text{Descriptive statistics of the power of various instruments.}
Therefore, the moment conditions for the model 2 and capital gains are derived. The moment conditions for the model 2 and capital gains are derived each month. In this model, the capital gains are realized each month and the capital gains are treated as if the capital gains are treated as if the capital gains are realized each month. The moment conditions for the model 2 are:

\[
\left(1 - \left(\frac{\sigma^2 - 1}{\sigma^2 + 1}\right)^{1/2} + \left(\frac{\sigma + 1}{\sigma^2 + 1}\right)\cdot \left(\frac{1}{\sigma^2 + 1}\right)^{1/2}\right)^d = 0
\]

The moment conditions for the model 2 are:

\[
\left(1 - \left(\frac{\sigma^2 - 1}{\sigma^2 + 1}\right)^{1/2} + \left(\frac{\sigma + 1}{\sigma^2 + 1}\right)\cdot \left(\frac{1}{\sigma^2 + 1}\right)^{1/2}\right)^d = 0
\]

**Table 3 Continued**

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<th>Correlations</th>
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<td>(\rho_1) (\rho_2) (\rho_3)</td>
</tr>
<tr>
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<td>(\rho_1) (\rho_2) (\rho_3)</td>
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</table>

Parameter estimates:

<table>
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<th>Correlations</th>
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</thead>
<tbody>
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<td>(\rho_1) (\rho_2) (\rho_3)</td>
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</table>
Panel A: Results for an equal-weighted index of 388 NYSE stocks

Table 4

8. Parameter estimates:

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Parameter estimates:

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Panel B: Results for an equally weighted index of 388 NASDAQ stocks

Table 4
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**Parameter Estimates:**

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**Asset Pricing Model**

Panel A: Stocks (quintiles 1 and 0S) and a one-month Treasury bill
Panel B: Results for an equally weighted index of the 77 smallest stocks (quintiles 1 and 0S) and a one-month Treasury bill
Panel C: Results for an equally weighted index of the 77 largest stocks (quintiles 1 and 0S) and a one-month Treasury bill

Table 4 continued
The moment condition for the stock returns in model 1 is
\[
\left( 1 - \left( \frac{\mathbf{c}^\prime (\mathbf{1}^\prime \mathbf{1} + 1)^\prime \mathbf{1}}{\mathbf{P}_2^\prime (\mathbf{1}^\prime \mathbf{1} + 1)^\prime \mathbf{1} + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

where \( \mathbf{c} \) is the price index of the stock and \( \mathbf{P}_2 \) is the capital gains vector. The moment condition for the stock returns in model 2 is
\[
\left( 1 - \left( \frac{\mathbf{c}^\prime (\mathbf{1}^\prime \mathbf{1} + 1)^\prime \mathbf{1}}{\mathbf{P}_2^\prime (\mathbf{1}^\prime \mathbf{1} + 1)^\prime \mathbf{1} + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

The moment conditions for the two models are:
\[
\left( 1 - \left( \frac{(1\prime 1\prime ^2 - 1)(1\prime 1\prime + 1)^\prime \mathbf{1}}{(1\prime 1\prime + 1)^\prime \mathbf{1} + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

and
\[
\left( 1 - \left( \frac{1\prime 1\prime + 1}{1\prime 1\prime + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

The moment condition for the stock returns in model 3 is
\[
\left( 1 - \left( \frac{1\prime 1\prime + 1}{1\prime 1\prime + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

The moment condition for the stock returns in model 4 is
\[
\left( 1 - \left( \frac{1\prime 1\prime + 1}{1\prime 1\prime + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]

The moment condition for the stock returns in model 5 is
\[
\left( 1 - \left( \frac{1\prime 1\prime + 1}{1\prime 1\prime + 1} \right) \mathbf{1} \right) \mathbf{1} \mathbf{1} = 0
\]