

Economics of Taxation (220:463:01)
Rutgers University
Professor Rosanne Altshuler
Spring 2018

Class Hours: Mondays and Thursdays, 11:30 pm – 12:50 pm

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Office hours: Mondays: 2:30 pm – 4:30 pm (no appointment necessary)

I am also available outside of office hours by appointment. To make an appointment, contact me via email at altshule@economics.rutgers.edu

Course description: This course is an upper-level elective. The objective is to provide students with a conceptual framework for examining government taxation of economic activities and to use this framework to analyze current tax policy and proposals for reform. The focus will be on evaluating the impact of taxation on the allocation of resources and the distribution of income. Students will become familiar with the current U.S. tax system and the economic models important to the evaluation of tax policy questions.

Prerequisites: Economics 320 (Intermediate microeconomics) and Economics 322 (Econometrics).

Learning outcomes: Students will learn the following in this course:

- How taxes affect the income distribution
- How taxes affect economic activity of individuals and firms
- How to measure the efficiency cost of taxation
- The difference between income, consumption and wealth taxes
- How to evaluate tax reform alternatives
- The structure of the individual and corporate tax systems in the United States

Special permission numbers: I have no authority to give special permission numbers to any students. The only way you can enroll in this class is to use the regular online registration system. Keep checking, and as soon as someone drops the course, grab the opening immediately.

Exams: There will be two in class exams and a final. The exams will consist of multiple choice questions, problems, and short essays. The problems will be similar to those found on the problem sets.

- The first exam will be held during class on **Thursday, February 22**
- The second exam will be held during class on **Thursday, March 29**
- The final will be held on **Thursday, May 3 from 9:00 am to 11:00 am in our classroom**. This date is set by the registrar. I have changed the start time from 8:00 am to 9:00 am.

Mark your calendars now! If you anticipate missing an exam due to the observance of a religious holiday or other foreseeable event, you must notify me at least one week in advance. If you do not notify me one week in advance, you must take the exam as scheduled.

Homework: Over the course of the semester there will be five or six problem sets. Each will have an announced due date. I encourage students to work together, but each student must turn in her or his own written assignment. All homework must be turned in at the beginning of the class on the due date. No late homework will be accepted.

Course grades: The homework will be worth 10 percent and each exam (in class exam 1, in class exam 2, and the final) will be worth 30 percent.

Required materials

Access to course webpage

The class has a Sakai website. Under Resources, you will find copies of class handouts, such as this syllabus, problem sets, classnotes and powerpoint slides. The website also provides links to background information elsewhere on the web and a discussion board.

Textbook

I have put together an e-book as the main textbook for the course. The e-book costs \$72.24 and consists of chapters from *Public Finance*, by Ted Gayer and Harvey Rosen (10th edition, 2014). Instructions for obtaining the e-book follow. You may also buy the book at Amazon.com or anywhere else. Since I will only be using half of the actual textbook, the e-book will be much cheaper. Note that any earlier editions are outdated and should not be purchased.

To obtain the e-book follow these simple steps:

1. Go to <https://create.mheducation.com/shop/>.
2. Search for and select book by Title, ISBN, Author, or State/School.
ISBN: 9781307164404
Title: 01:220:463
3. Add to cart and purchase!

We will also use supplemental material from the report of the President's Advisory Panel on Federal Tax Reform (<http://govinfo.library.unt.edu/taxreformpanel/>) as well as material from the Urban-Brookings Tax Policy Center (<http://www.taxpolicycenter.org>). Please see the reading list for further information on supplemental readings.

Attendance Policy

Attendance is highly recommended and has been shown to be extremely beneficial.

TENTATIVE READING LIST

Note:

“Gayer and Rosen” denotes the e-book for the course.

“Tax Panel Report” denotes *Simple, Fair, and Pro-Growth: Proposals to Fix America’s Tax System*, issued by the President’s Advisory Panel on Federal Tax Reform in November of 2005. Readings from the report are available on the Sakai webpage and on the Tax Panel website (<http://govinfo.library.unt.edu/taxreformpanel/>).

The Tax Policy Center website contains some course readings and is an excellent source of information on tax policy (<http://www.taxpolicycenter.org/>).

1. Introduction to Taxation

Rosanne Altshuler and Roberton Williams, *Five Myths about Your Taxes*.
<http://www.taxpolicycenter.org/publications/url.cfm?ID=901335>

Tax Panel Report, Chapters 1, 2 and 3 (pages 1-40)

http://govinfo.library.unt.edu/taxreformpanel/final-report/TaxPanel_1_11-1.pdf

2. Tools of Positive and Normative Analysis

Gayer and Rosen, chapters 2 and 3

3. Income Redistribution: Conceptual Issues

Gayer and Rosen, chapter 12

4. Taxation and Income Distribution

Gayer and Rosen, chapter 14

Congressional Budget Office, *The Distribution of Household Income and Federal Taxes, 2013*, June 8, 2016, Pages 1-12.

<https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51361-householdincomefedtaxes.pdf>

Congressional Budget Office, *The Distribution of Federal Spending and Taxes in 2006*. November 2013, Pages 1-14.

https://www.cbo.gov/sites/default/files/44698-Distribution_11-2013.pdf

5. Taxation and Efficiency

Gayer and Rosen, chapter 15

6. Efficient and Equitable Taxation

Gayer and Rosen, chapter 16

7. The Personal Income Tax

Gayer and Rosen, chapter 17

Congressional Budget Office, *The Distribution of Major Tax Expenditures in the Individual Income Tax System*, May 2013.

http://www.cbo.gov/sites/default/files/cbofiles/attachments/43768_DistributionTaxExpenditures.pdf

Daniel Baneman, Joseph Rosenberg, Eric Toder, and Robertson Williams, *Curbing Tax Expenditures*, January 2012.

<http://www.taxpolicycenter.org/UploadedPDF/412493-Curbing-Tax-Expenditures.pdf>

Roberton Williams, *Who Pays No Income Tax?*

(http://www.taxpolicycenter.org/UploadedPDF/1001289_who_pays.pdf)

Roberton Williams, *And Now for the Movie: Fewer Americans Pay No Federal Income Tax*.

(<http://taxvox.taxpolicycenter.org/2013/08/29/and-now-for-the-movie-fewer-americans-pay-no-federal-income-tax/>)

8. The Effect of Taxation on Individual Behavior

Gayer and Rosen, chapter 18

Rosanne Altshuler and Jacob Goldin, *The Opacity of Marginal Tax Rates*

(http://www.taxpolicycenter.org/UploadedPDF/1001336_opacity.pdf)

William Gale and Andrew Samwick, *Effects of Income Tax Changes on Economic Growth*, September 2014.

<http://www.urban.org/UploadedPDF/413223-effects-of-income-tax-changes-on-economic-growth.pdf>

9. Corporate Taxation

Gayer and Rosen, chapter 19

Congressional Budget Office, *Taxing Capital Income: Effective Marginal Tax Rates Under 2014 Law and Selected Policy Options*, December 2014.

https://www.cbo.gov/sites/default/files/cbofiles/attachments/49817-Taxing_Capital_Income_0.pdf

Eric Toder, *Corporate Income Tax Reform...Dreaming On*, 2014.

<http://www.taxpolicycenter.org/UploadedPDF/413004-Milken-Corporate-Income-Tax-Reform.pdf>

10. Fundamental Tax Reform

Gayer and Rosen, chapter 21

Tax Panel Report, chapters 4 and 5

http://govinfo.library.unt.edu/taxreformpanel/final-report/TaxPanel_1_11-1.pdf

http://govinfo.library.unt.edu/taxreformpanel/final-report/TaxPanel_5-7.pdf

William Gale and Ben Harris, *A Value-Added Tax for the United States: Part of the Solution*

http://www.taxpolicycenter.org/UploadedPDF/1001418_VAT_solution.pdf