Economics 451SP13 Public Finance—Taxation

Syllabus

Who and Where:
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Classpage:

What You Will Learn:
You will be evaluated on how well you achieve three learning goals.

1) Develop an understanding of how taxes affect the economic decisions made by households and businesses and, more generally, how taxes affect the allocation of economic resources and the distribution of income in the economy.

2) Assemble a working knowledge of the main facts about the United States tax system, and an understanding of how the main taxes such as the Federal personal and corporate income taxes and the State and Local Retail Sales tax are structured.

3) Develop the ability to evaluate tax reforms or potential tax policies using the normative criteria of economic efficiency, distributional equity and administrative feasibility.

The Course: How Your Learning Will Be Assessed
Your course grade is based on two non-cumulative class tests (equally weighted), and periodic assignments and short quizzes (which can count up to 20% of your grade). Your assignment and quiz grade will be used only to improve your tests grade, not to lower it. The first class test is on Monday May 6 and the second class test is on Wednesday June 5 (last day of class.) The tests must be taken on these days and times—I do not have the resources to offer make up tests.

My Policy on Academic Integrity
My policy on academic integrity is to respect you, treat you as responsible adults, and presume that you are honest. I ask that you return this respect by proving me right by being scrupulously honest on tests and quizzes. If any academic dishonesty on tests and quizzes, I will follow the appropriate institutional guidelines and procedures.

Cooperative learning on assignments is permitted, even encouraged.
**Textbook and Readings:**

There is no required textbook—class notes are provided on the course class page and internet readings may be periodically assigned.

An *optional* textbook is *Public Finance and the American Economy, Second Edition*, by Neil Bruce, Addison Wesley, 2001 is on reserve in the Odegard Library. The corresponding chapters are listed below. These chapters are *optional* reading.

**Course Outline and Readings:**

**PART A: CONCEPTS AND ANALYSIS (Taxation Neat)**

I  
**Introduction**

A  
Taxes and Government  
- Topic 1 Taxation and government  
  *Bruce, Chapters 1 and 2*

II  
**The Economic Effects of Taxes**

A  
The Impact of an Excise Tax on Price and Quantity  
- Topic 2 The Effect of an Excise Tax, Part I  
- Topic 3 The Effect of an Excise Tax, Part II  
  *Chapter 10*

B  
The Revenue and Deadweight Loss of an Excise Tax  
- Topic 4 Revenue and Deadweight Loss  
  *Chapters 10 and 12*

III  
**Tax Incidence—Who Bears the Tax Burden?**

A  
Measuring Tax Incidence  
- Topic 5 Measuring Tax Incidence  
  *Chapter 11*

B  
The Economic Incidence of Taxes  
- Topic 6 Tax Shifting and Economic Incidence  
  *Chapter 11*
IV     Tax Policy Analysis
A     Normative Principles
    • Topic 7 What Makes For Good Tax Policy?
    • Chapter 12
B     Efficient and Fair Taxes
    • Topic 8 Minimizing the Efficiency Cost of Taxes
    • Topic 9 How to Judge Tax Fairness
    • Chapter 12

PART B: THE REAL WORLD OF TAXES (Taxation Messy)

V     How the Federal Income Tax is Structured
A     Taxable and Non-Taxable Income
    • Topic 10 Taxable Income—What is Taxed and What is Not.
    • Chapter 13
B     Income Tax Rates and Tax Credits
    • Topic 11 Tax Rates and Tax Credits
    • Chapter 13
C     FICA—The Other Income Tax
    • Topic 12 The FICA and Other US Income Taxes

VI     The Economic Effects of Income Taxation
A     The Effects of Exemptions and Deductions
    • Topic 13 Tax Expenditures
    • Chapter 14
B     Income Taxation and the Labor Supply
    • Topic 14 The Effect of Income Tax on Labor Supply
    • Chapter 14
C     Income Taxation and Saving
    • Topic 15 Income Taxation and Inter-temporal Choice
    • Chapter 14
VII Taxes on Business Income
A Taxable Business Income
   • Topic 16 How Business Income is Taxed
   • Chapter 15
B Economic Effects of Taxing Business Income Taxes.
   • Topic 16 Tax Effects on Business Decisions
   • Chapter 15

VIII The State and Local Tax System. (Time Permitting)
A. What Makes State and Local Taxation Different?
   • Topic 17 State and Local Tax Issues
   • Chapter 19
B The Washington State Tax System

IX Federal Deficit Policy (Time Permitting)
   • Topic 18 The Federal Deficit and the Timing of Federal Taxes