

Economics of Taxation (220:363)
Rutgers University
Professor Rosanne Altshuler
Spring 2007

Course description

The objective of this course 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.

Special permission numbers

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

Prerequisites

Intermediate microeconomics (220:203) and Econometrics (220:322).

Office and contact information

Professor Rosanne Altshuler
302 New Jersey Hall, CAC
<mailto:econ-micro@econ.rutgers.edu>

Office hours

Mondays and Wednesdays, 11:00 am to 12:15 pm in my office (302 NJ Hall, CAC). Please send e-mail to <mailto:econ-micro@econ.rutgers.edu> to schedule an appointment outside of regular office hours.

Organization and exam dates

| Section | Lectures | Room | First Midterm | Second Midterm | Final |
|----------------|------------------------------------|-------------|----------------------|-----------------------|--------------------------------|
| 1 | Mondays & Wednesdays, 2:50-4:10 pm | FH-A6 | Wednesday, Feb 21 | Wednesday, March 28 | Thursday, May 3, 8:00-11:00 am |
| 2 | Mondays & Wednesdays, 4:30-5:50 pm | FH-A5 | Wednesday, Feb 21 | Wednesday, March 28 | Friday, May 4, 4:00-7:00 pm |

Mark your calendars now!!! No make-up exams will be provided. Drop the course now if you have conflicts with the exam times.

Required materials

1. Access to course webpage

This course is hosted on WebCT. All information for the course appears on the webpage. You should visit the webpage often to view announcements. The link is

<https://webct.rutgers.edu/webct/public/home.pl>

2. Textbook

I have put together an e-book as a main textbook for the course. The e-book consists of chapters from *Public Finance*, by Harvey S. Rosen (7th edition, 2005). Instructions for obtaining the e-book follow. (You may also buy the book at the RU bookstore. However, I am not sure when the book will be available at the bookstore.)

Step 1. Open Internet Explorer and type in the web address <http://ebooks.primisonline.com>

Step 2. Next, click on the center icon and click on “Custom Ebooks”

Step 3. From there, you will be taken to a “5 Easy Steps” screen. Follow the steps to successfully purchase your ebook. Our book is called “Economics of Taxation (220:363) Spring 2006”. I am using the same book as last year. The book costs \$32.33.

Step 4. If you run into problems or have questions, please don’t get frustrated. Contact the publisher immediately. They can be reached by phone at 800-962-9342. They can also be reached via email at primismhhe@mcgraw-hill.com

We will also use supplemental material from the report and website of the President’s Advisory Panel on Federal Tax Reform (www.taxreformpanel.gov). See the reading list for further information on supplemental readings.

3. Homework

There will be both online homework and written homework assignments. **No late homework will be accepted.** However, I will drop your lowest problem set score. We will also do two experiments online. The online homework and experiments are hosted by Aplia and cost \$15. The last page of the syllabus explains how to subscribe to Aplia. You should subscribe as soon as possible.

Grading

There will be two grading schemes in order to minimize the impact of a poor performance on any one test. Your grade will be computed based on the scheme that is most favorable to you (results in the highest grade). The schemes will work as follows:

Scenario 1. Each exam counts 30%. Each midterm will count 30%, the final will count 30% and homework will count 10%.

Scenario 2. Drop your worst midterm. Your best midterm score will count 40%, the final will count 50% and homework will count 10%.

Test formats

The midterms and the final will consist of multiple choice questions, problems, and short essays. The problems will be similar to those found on the problem sets.

Attendance Policy

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

READING LIST

Note:

“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 WebCT webpage.

“Testimony” denotes powerpoint presentations prepared by witnesses appearing at Tax Reform Panel hearings. The powerpoint presentations and links to the transcripts of these presentations are available on the WebCT webpage.

The Tax Panel report, powerpoint presentations, and transcripts of public hearings are also available on the Tax Panel website (www.taxreformpanel.gov).

1. Introduction to Taxation

Tax Panel Report, chapters 1, 2 and 3

Testimony of Fred Goldberg before the Tax Reform Panel

Testimony of Jeffrey Owens before the Tax Reform Panel

2. Tools of Economic Analysis

Rosen, chapter 3

3. Tax Incidence Analysis

Rosen, chapter 12

4. Tax Theory: Efficiency

Rosen, chapter 13

5. Tax Theory: Optimal Taxation

Rosen, chapter 14

Testimony of James Alm before the Tax Reform Panel

Testimony of Joel Slemrod before the Tax Reform Panel

- 6. The Personal Income Tax**
Rosen, chapter 15
Tax Panel Report, chapter 4
Testimony of Leonard Burman before the Tax Reform Panel
Testimony of Hilary Hoynes before the Tax Reform Panel
Testimony of Susan Dynarski before the Tax Reform Panel
Treasury fact sheet on the Alternative Minimum Tax (see webpage)
- 7. The Effect of Taxation on Individual Behavior**
Rosen, chapter 16
Testimony of James Heckman before the Tax Reform Panel
Treasury fact sheet on tax burden (see webpage)
- 8. Corporate Taxation**
Rosen, chapter 17
Testimony of William Gentry before the Tax Reform Panel
Testimony of Douglas Shackelford before the Tax Reform Panel
Treasury fact sheet on savings and investment (see webpage)
- 9. Tax Reform**
Rosen, chapter 19
Tax Panel Report, chapter 5

Problems Sets

(Due dates will be announced in class and on the webpage)

Problem Set #1: Introductory Graded Problem Set

Due Wed. Jan. 24 at 1:00 pm

Aplia problem set designed to teach you how to use online homework (“Introductory Graded Problem Set”). Note that some of the Aplia assignments come in pairs of practice and graded problem sets.

Practice problem sets

The practice problem sets give you immediate feedback about whether your answer is right or wrong and an explanation of the correct answer. They are not counted as part of your homework grade. Use them to check your understanding of the material. If you are confident, you can go directly to the graded problem set, and refer back to the practice set only if you want some additional help.

Graded problem sets

The graded problems sets have a firm due date. You can change your answers as many times as you like before the due date has passed. Once the due date has passed, the grade will be recorded and it will not be possible to change your answers or complete the assignment at this point. In other words, Aplia assignments must be completed by the due date. The software does not care whether you have an excuse or not. No late problem sets will be accepted under any circumstances. Do the assignments early to avoid any emergencies preventing your completion before the due date. After the due date, you will be able to see the correct answers and the explanations for graded problems.

Problem Set #2: The Design of the Tax System

Aplia problem set (“The Design of the Tax System”)

Problem Set #3: News Analysis

Aplia problem set (“How Effective are Cigarette Taxes?”)

Written questions due in class.

Problem Set #4: Tax Incidence (part 1)

Aplia problem set (“Analyzing Taxes and Welfare”)

Problem Set #5: Tax Incidence (part 2)

Rosen, chapter 12, problems to be announced (see WebCt webpage).

Due in class.

Problem Set #6: Taxation and Efficiency (part 1)

Aplia problem set ("Taxation and Efficiency")

Problem Set #7: Taxation and Efficiency (part 2)

Rosen, chapter 13, problems to be announced (see WebCt webpage).

Due in class.

Problem Set #8: Optimal Taxation

Rosen, chapter 14, problems to be announced (see WebCt webpage).

Due in class.

Problem Set #9: The Personal Income Tax

Rosen, chapter 15, problems to be announced (see WebCt webpage).

Due in class.

Problem Set #10: Personal Taxation and Behavior

Rosen, chapter 16, problems to be announced (see WebCt webpage)

Due in class.

Problem Set #11: The Corporation Tax

Rosen, chapter 17, problems to be announced (see WebCt webpage).

Due in class.

Problem Set #12: Tax Reform

Rosen, chapter 19, problems to be announced (see WebCt webpage).

Due in class.



Student Registration and Payment Instructions

Course Name: Econ 363, Economics of Taxation

Start Date: 01/16/2007

Professor: Rosanne Altshuler

Course Key: AUEJ-9FXG-DRGW

You can access your homeworks and experiments as soon as you register and pay! The cost is \$15.00.

Registration Instructions

1. Connect to <http://www.aplia.com>.
2. Click the System Configuration Test link below the Sign In and Register sections to make sure you can access all of the features on Aplia's website. This takes just a few seconds and tells you how to update your browser settings if necessary.
3. Return to <http://www.aplia.com>.
 - If you have never used Aplia before, click the New Student button and enter your Course Key: AUEJ-9FXG-DRGW. Continue following the instructions to complete your registration.
 - If you have used Aplia before, sign in with your usual e-mail address and password and enter your Course Key when prompted: AUEJ-9FXG-DRGW. If you are not prompted for a new Course Key, click the Enter Course Key button to enroll in a new Aplia course. Enter your Course Key when you are prompted.
4. Pay for your course.

Once you've paid the course fee, you can access your homework and experiments.