

ECON 510
Economics of Taxation**Course Syllabus**
(preliminary version)

Credits: 4 graduate hours

Semester: Fall 2025

Meeting Times: Monday and Wednesday, 9:30 - 10:50 am, 215 DKH

Instructor: Dr. Tetyana Dubovyk

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Office Hours: TBA DKH 18A

Course Description

Public economics studies the role of the government in a market economy and the implications of its actions for the citizenry. This course applies economic analysis to study the positive and normative aspects of different tax policies. We will study various topics in modern tax theory including incidence, incentive effects of different tax structures, economics inequality, and theory of optimal taxation, tax evasion, and tax reform. If time permits, we will also apply the lessons learned to developing economies and examine if any aspects of it need to be reformulated.

Prerequisites: ECON 302 or equivalent. MSPE Graduate Student Standing.

Learning Outcomes

Analytical Skills and Problem Solving: Learn how to theoretically analyze strategic situations using the concepts and methods of public economics.

Critical Thinking: Understand when the concepts of public economics are applicable and the limits of theoretical reasoning.

Specialized Knowledge and Practical Applications: Understand how to apply economic instruments to problems in Economics of Taxation and Public Economics.

Learning Resources

There is a series of lecture notes for this course that covers the wide range of material. These lecture notes are the primary source of reading for the course. They will be posted on the Canvas course page. You will be responsible for whatever I lecture on in class in the exams. Because of that, attendance is compulsory.

Nevertheless, below you will find a list of useful public economics texts (with Hindricks and Myles being the most advanced), and other relevant references. As the course progresses, I will also introduce you to relevant original articles.

Jean Hindriks and Gareth Myles. *Intermediate Public Economics*, 2nd edition, 2013, the MIT Press.

H. Rosen and T. Gayer, *Public Finance*, 10th edition, McGraw-Hill, 2013.

J. Stiglitz and J. Rosengard, *Economics of the Public Sector* 4th edition, Norton, 2015.

J. Gruber, *Public Finance and Public Policy*, 6th Edition, Worth Publishers, New York, 2019.

R. W. Tresch, *Public Finance: A Normative Theory*, 3rd edition, Academic Press, 2014.

Joel Slemrod and Jon Bakija, *Taxing Ourselves*, 5th edition, the MIT Press, Cambridge, 2017.

Clemens Fuest and George R. Zodrow, Eds, *Critical Issues in Taxation and Development*, CESifo, the MIT Press, Cambridge, 2013.

Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20th Century: A Global Perspective*, Cambridge University Press, 2000.

Sanjeev Gupta, Benedict Clements, Gabriela Inchauste, Eds, *Helping Countries Develop: The Role of Fiscal Policy*, International Monetary Fund, Washington D.C., 2004.

David Newbery and Nicholas Stern, Eds, *The Theory of Taxation for Developing Countries*, Oxford University Press, 1987.

Problem sets and additional practice material is also available on Canvas.

Important Dates:

Midterm will take place on the 2nd week of October (approximately), in class.

Final will take place on date and time TBA (during the week of Dec. 12-18, 2025), room TBA.

Course Policies

Assignment Policy: Homework is assigned on Canvas and is automatically graded. If you believe a question was graded incorrectly, please contact me. **Note that homework cannot be submitted late.** Please, check the page regularly for posted homework and verify due dates.

Class Discussion Points and Policy: Students are encouraged to ask questions and participate in the discussions during the class. Active class participation will be taken into account in a positive way in computing your final grade.

Class Quiz Policy: Surprise quizzes are possible.

Exam Policy: Exams will be in person, closed book. All calculators are allowed, except for those that can access the internet, such as TI Ensfire Models. If you have questions whether your calculator is allowed please contact me.

Student Assessment:

Midterm:	350 points, date TBA (during class)
Final Exam:	400 points, date TBA, room TBA
Problem sets:	200 points
In class activities:	50 points
Total:	1000 points

Grading

100-95% A+	<95%-90% A	<90%-85% A-
<85-80% B+	<80-75% B	<75-70% B-
<70-65% C+	<65-60% C	<60-55% C-
<55-50% D+	<50-45% D	<45-40% D-

Academic Assistance

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. We recommend that you seek them out starting early in the semester, not just in times of academic need, in order to develop good study habits and submit work which represents your full academic potential. Many resources are found on the Economics Website including details about the Economics Tutoring Center, Academic Advising, and other academic support options:

<https://economics.illinois.edu/academics/undergraduate-program/academic-student-support>

Academic Integrity

According to the Student Code, 'It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.' Please know that it is my responsibility as an instructor to uphold the academic integrity policy of the University, which can be found here:

<https://studentcode.illinois.edu/article1/part4/1-401/>

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. It is your responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. **Read the full Student Code at** <https://studentcode.illinois.edu/>

Students with Disabilities

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), or e-mail a message to disability@illinois.edu. DRES Website: www.disability.illinois.edu/

Community of Care

As members of the Illinois community, we each have a responsibility to express care and concern for one another. If you come across a classmate whose behavior concerns you, whether in regards to their well-being or yours, we encourage you to refer this behavior to the Student Assistance Center

(217-333-0050 or <http://odos.illinois.edu/community-of-care/referral/>). Based on your report, the staff in the Student Assistance Center reaches out to students to make sure they have the support they need to be healthy and safe. Further, we understand the impact that struggles with mental health can have on your experience at Illinois. Significant stress, strained relationships, anxiety, excessive worry, alcohol/drug problems, a loss of motivation, or problems with eating and/or sleeping can all interfere with optimal academic performance. We encourage all students to reach out to talk with someone, and we want to make sure you are aware that you can access mental health support at the Counseling Center (<https://counselingcenter.illinois.edu/>) or McKinley Health Center (<https://mckinley.illinois.edu/>).

For mental health emergencies, you can call 911 or walk into the Counseling Center, no appointment needed.

Disruptive Behavior

Behavior that persistently or grossly interferes with classroom activities is considered disruptive behavior and may be subject to disciplinary action. Such behavior inhibits other students' ability to learn and an instructor's ability to teach. A student responsible for disruptive behavior may be required to leave class pending discussion and resolution of the problem and may be reported to the Office for Student Conflict Resolution for disciplinary action.

Emergency Response Recommendations

Emergency response recommendations can be found at the following website:

<http://police.illinois.edu/emergency-preparedness/>. I encourage you to review this website and the campus building floor plans website within the first 10 days of class.

<http://police.illinois.edu/emergency-preparedness/building-emergency-actionplans/>.

Religious Observances

The Religious Observance Accommodation Request form is available at <https://odos.illinois.edu/community-of-care/resources/students/religious-observances/>. Submit the form to the instructor and to the Office of the Dean of Students (helpdean@illinois.edu) **by the end of the second week of the course**; in the case of exams or assignments scheduled after this period, students should submit the form to the instructor and to the Office of the Dean of Students as soon as possible.

Family Educational Rights and Privacy Act (FERPA)

Any student who has suppressed their directory information pursuant to Family Educational Rights and Privacy Act (FERPA) should self-identify to the instructor to ensure protection of the privacy of their attendance in this course. See <http://registrar.illinois.edu/ferpa> for more information on FERPA. Student information and records will not be released to anyone other than the student unless the student has provided written approval or as required by law.

Sexual Misconduct Reporting Obligation

The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options. A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain

confidentiality, can be found here: <http://www.wecare.illinois.edu/resources/students/#confidential>. Other information about resources and reporting is available here: <http://wecare.illinois.edu/>.

Student Support

The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. Please visit their website to find valuable resources and services:

<https://counselingcenter.illinois.edu/>.

Counseling Center Information: 217-333-3704

Location: Room 206, Student Services Building (610 East John Street, Champaign IL)

McKinley Mental Health Information: 217-333-2705

Location: 3rd Floor McKinley Health Center 1109 South Lincoln, Urbana, IL

Emergency Dean: The Emergency Dean may be reached at (217) 333-0050 and supports students who are experiencing an emergency situation after 5 pm, in which an immediate University response is needed and which cannot wait until the next business day. The Emergency Dean is not a substitute for trained emergency personnel such as 911, Police or Fire. If you are experiencing a life threatening emergency, call 911. Please review the Emergency Dean procedures:

<http://odos.illinois.edu/emergency/>

Academic Dates and Deadlines

Students should make note of important academic deadlines for making changes to their courses (add, drop, credit/no-credit, grade replacement, etc.). <https://registrar.illinois.edu/academic-calendars>
Please check with your academic department regarding specific procedures and policies.

Course Topics

Topic 1: Overview and Introduction (Hindriks and Myles, ch 1)

Topic 2: Foundation (Hindriks and Myles, ch 2)

Topic 3: Information, taxation, and distortion (Hindriks and Myles, ch 13, 18)

Topic 4: Digression to demand theory

Topic 5: Taxation and labor supply

Topic 6: Welfare measurement

Topic 7: Taxation and excess burden (Rosen, ch 15)

Topic 8: Tax incidence (Rosen, ch 14; Hindriks and Myles, pp 268-277)

Topic 9: Equity considerations (Hindriks and Myles, ch 13)

Topic 10: Income taxation (Hindriks and Myles, ch 16)

Topic 11: Linear income taxation (Hindriks and Myles, ch 16)

Topic 12: Information, incentive compatibility, and taxation (Hindriks and Myles, chs 10, 18)

Topic 13: Commodity taxation (Hindriks and Myles, ch 15)

Topic 14: Intertemporal taxation (Hindriks and Myles, ch 22)

Topic 15: Tax evasion (Hindriks and Myles, ch 17)

Topic 16: Tax reform

Topic 17: Income distribution (Hindriks and Myles, ch 14, Cowell)

Applications to developing countries

Topic 18: Taxation in developing countries

Topic 19: Dual economies

Topic 20: Land taxation