

ECONOMICS OF TAXATION

ECONOMICS 510-Fall 2023

Instructor: J. Fred Giertz, Professor of Economics

Time and Location: 317 DKH, 3:30 PM, Tuesday and Thursday

Text: Rosen and Gayer, Public Finance, 10th edition (older editions may be substituted) and Burman and Slemrod, Taxes in America: What Everyone Needs to Know

Supplementary Reading:

Shome, Tax Policy Handbook, IMF (S) Selected contents available on Google books website.
Tax Analysts, The VAT Reader (available on line)

Catalogue Description: Economics of Taxation Credit: 4 hours.

Theoretical and empirical analysis of the impact of taxation on the economic system; topics include tax equity and excess burden, incentive effects of taxation, tax incidence, structure of major types of taxes (income, consumption, and wealth), normative tax analysis, and taxation in developing economies.
Prerequisite: ECON 302 or ECON 500 or equivalent.

Office: Institute of Government and Public Affairs, 229 IGPA, 1007 W. Nevada
217 840-9148 **e-mail:** jgiertz@illinois.edu

Office Hours: By appointment (email, online or telephone)

Course Outline: (See daily schedule for additional readings)

I. Introduction and Review

Overview, Rosen and Gayer, Ch. 1-3.
HM, Chs. 1, 3

II. Market Failure--Brief Overview

Public Goods, Rosen and Gayer, Ch. 4.
Externalities, Rosen and Gayer, Ch. 5. (Pigouvian taxes, environmental taxes, cap and trade) Nordhaus'
Review of Stern Report

III. Principles of Taxation

Rosen and Gayer, Ch. 14-16.
Burman and Slemrod, entire book to be read over the first several weeks.
Shome, pp. 3-24, 25-29, 30-34, 35-45, and 59-61. (Shome-Table of Contents)

IV. Income Taxation

Rosen and Gayer, Ch. 17-18.
HM, Ch. 15.
Shome, pp. 50-54, 117-133.
Piketty and Saez, Progressive is the U.S. Federal Tax System? Journal of Economic Perspective, Winter 2007
Mankiw, Weinzierl, and Yagan, Journal of Economic Perspective, Fall 200
Diamond and Saez, The Case for a Progressive Tax: From Basic Research to Policy Recommendations
S. Giertz, "The Elasticity of Taxable Income," in Tax Policy Lessons from the 2000s.
Keane, Labor Supply and Taxes: A Survey, Journal of Economic Literature, December 2011

V. Business Taxes

Corporate Taxation and Business Taxation, Rosen and Gayer, Ch. 19.
Shome, pp. 134-148, 149-168, 181-184.
Bird, Why Tax Corporations?

VI. Consumption and Wealth Taxes

Consumption, Rosen and Gayer, Ch. 21.
HM. Ch. 14
Shome, pp. 71-74, 75-79, 80-81, 82-86, 86-99, and 169-176.
Hines, Taxing Consumption and Other Sins, Journal of Economic Perspective, Winter 2007
Graetz, Tax Reform Unraveling, Journal of Economic Perspective, Winter 2007
Viard, Capital Income Taxation: Reframing the Debate
Zodrow, Who Pays the Property Tax?

VII. Special Topics

Avoidance and Evasion, HM, Ch. 16.
Auerbach, Tax Reform in 21st Century
Slemrod, Cheating Ourselves: The Economics of Tax Evasion, Journal of Economic Perspective, Winter 2007
Fiscal Competition, Rosen and Gayer, Ch 22, HM, Chs. 17-18, Shome, 185-187 and 247-253.
Financial Transaction Taxes, The Tobin Tax: A Review of the Evidence

Examinations:

There will be two examinations in the course including the final exam. Each exam (including the final) will be counted equally. The exams will consist of multiple choice, essay, and problem questions. Each exam will include a take-home part and an in-class component. Plus, and minus grade options will be used in the class. The midterm exams will be given in October 25. (Date tentative.) Take-home questions will become available two weeks prior to the exam.

The final examination will be held 1:30—4:30 p.m., Monday, December 11 in the regular classroom. Take-home questions will become available two weeks prior to the exam.

Project:

Each student will complete on a project dealing with a tax policy topic.

Grading:

Plus, and minus grade options will be used in the class. The course grade will be based on the following:

Exam grades: 80 percent (40 percent for each exam)

Class project: 20 percent

The class grade is based on a 500-point scale:

Exam 1: 100 points take-home plus 100 points in-class.

Project: 100 points

Final: 100 points take-home plus 100 points in-class.