

Chapter 9 Taxes

I. The economics of Taxation

A. Impact of Taxes

- influence us by affecting resource allocation, consumer behavior, and the nations productivity.

1. Resource Allocation

- remember taxes will shift the curve to the Left (supply)
- if prices inc less people will buy the goods.

2. Behavior Adjustment

- used to encourage/discourage certain activities

a. Encourage

- i: Buy a house = write off interest on taxes
- ii: Get married = tax break
- iii: Kids = tax break
- iv: College = write off interest on student loans.

b. Discourage

Sin tax on alcohol or cigarettes.

3. Productivity and growth.

- why work harder if more money goes to the government

B. The incidence of Tax

- who actually pays for the tax.