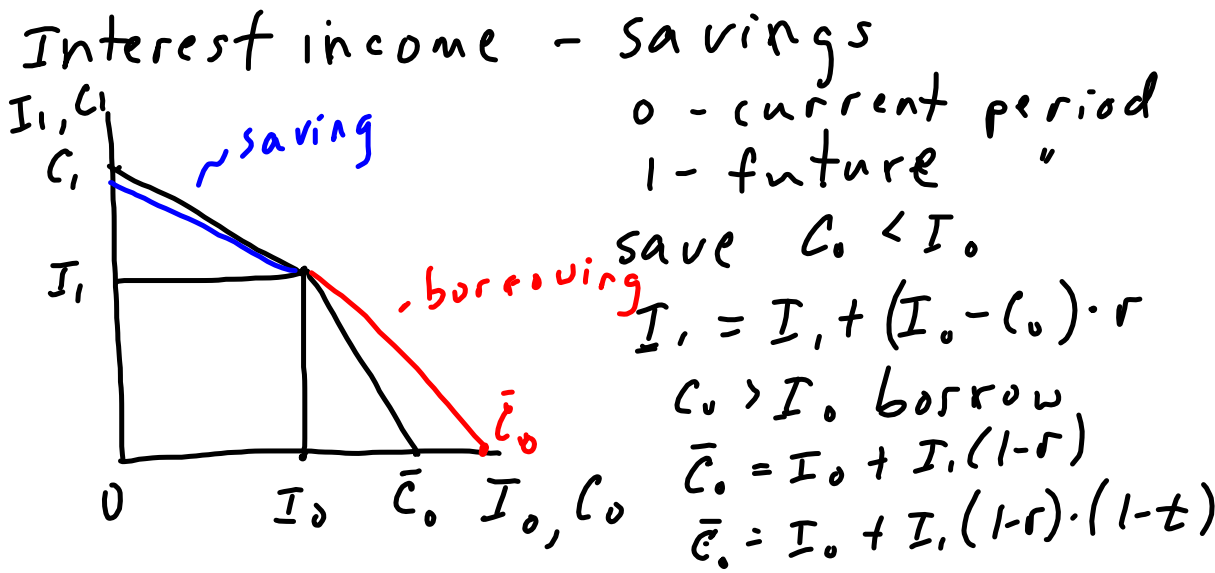
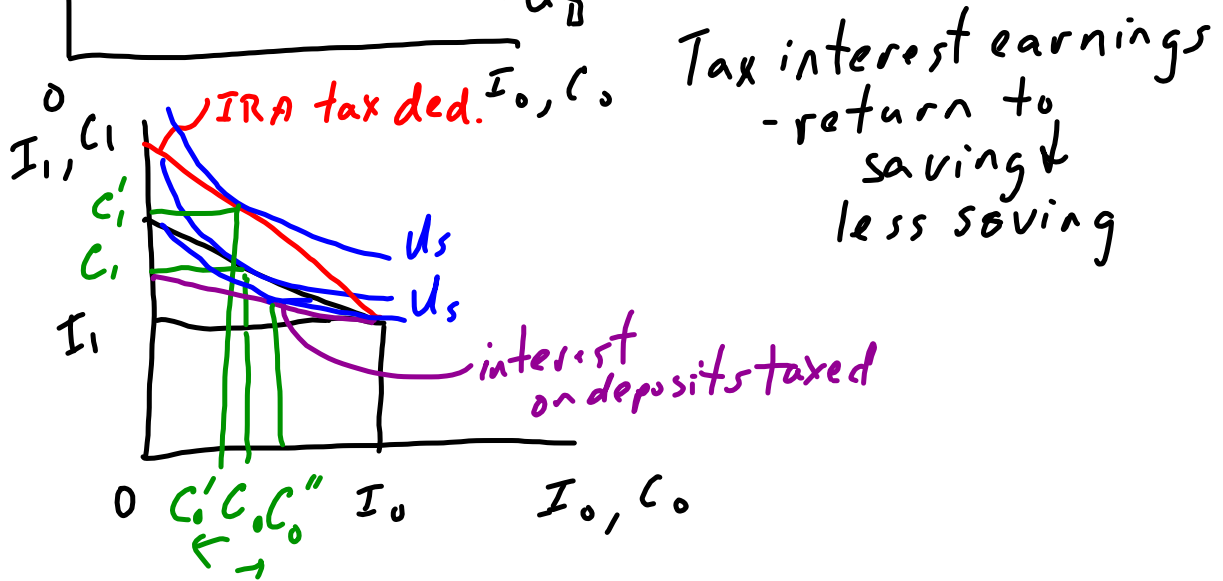
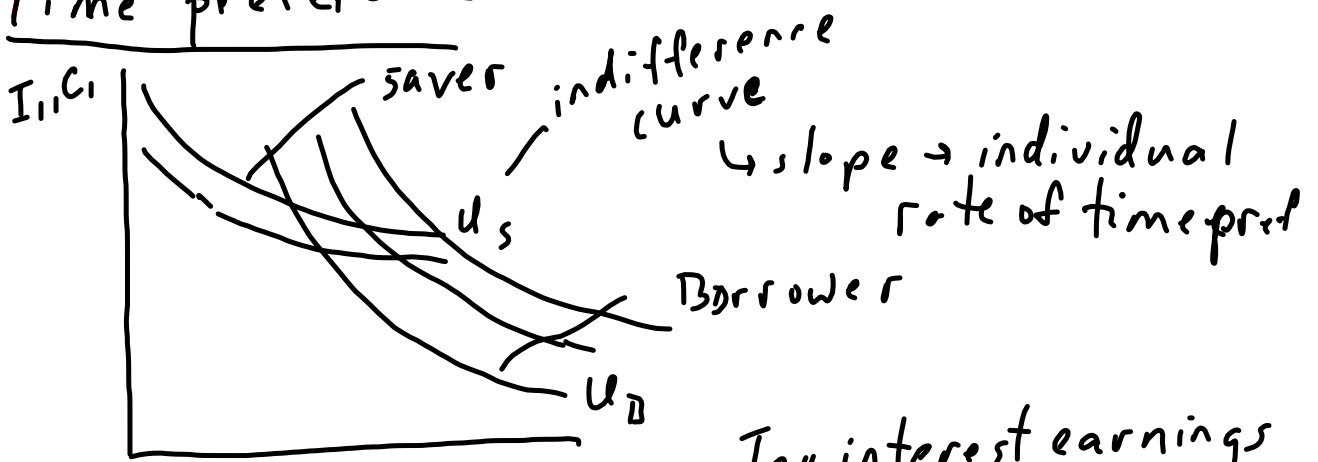


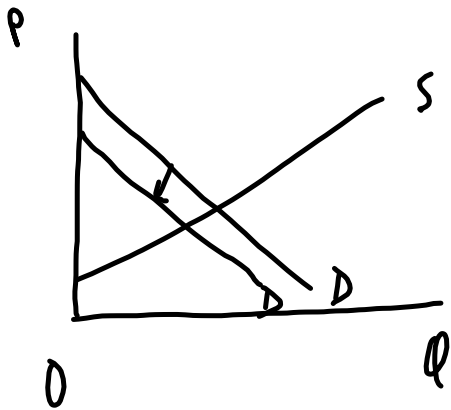
Do taxes matter? - 1986 Tax Reform Act
 Yes → relative prices change



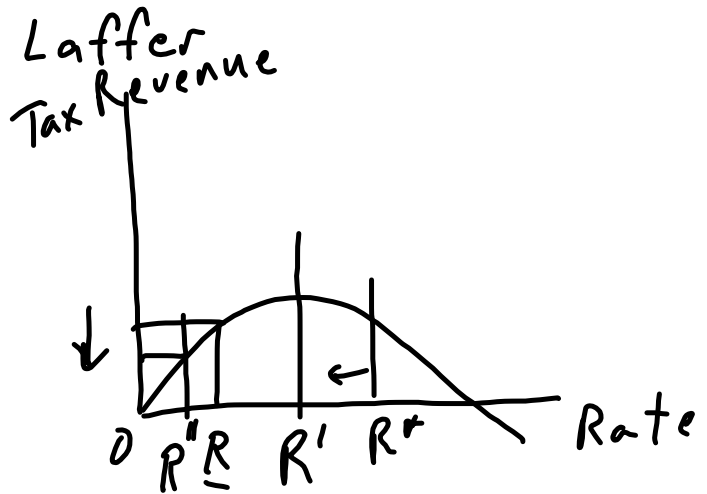
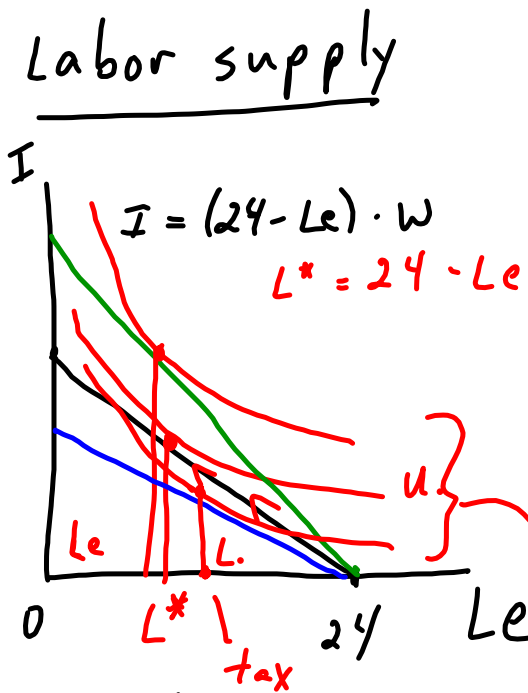
time preference -



Charitable giving? - top rate ↓
 pre 1986 - 70% tax bracket
 Donate \$100 to charity X - net \$30
 post 1986 → 35%
 Donate \$100 net \$65



- population →
 itemize (Schedule A) 30%
 Donations ↓
 Colleges
 Museum / Art Galleries



Stuart - Sweden 1990s

top rate 90%
 average \approx 50%

substitution effect
 $I \downarrow L_e \uparrow$

Income effect
 L_e - normal good as $I \downarrow$
 demand less L_e

rotate budget line
 "work disincentive effect"

Taxation on consumption

- wealth tax - durables demand ↓
- example: tax on windows

Risk taking - investing

loss offsets - loss on investment A
loss against earnings on B

passive loss offset

- Lawyer - earn \$ 1,000,000
- invest in X & loss

ded. from income earnings

withdrew in 1986 - invest in MURB ↓

vacancy rate 3-5% - 1992 Abg 1/2%