

For Monday Nov 7

IRS.GOV "Forms & Publications"

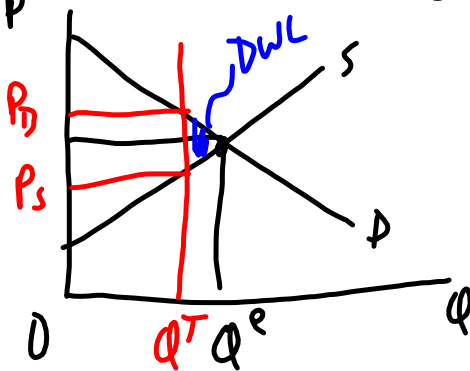
Chapter 17*

Download 1040 Form ^② ^① ^① ^②
Schedules A, B, C

Theory - Ch. 14, 15, & 16

- Efficiency -

"excise tax" - $P_B \neq P_S$



- objective min DWL
- efficient tax

Ramsey $t_i \propto \frac{1}{\eta_i}$
 $\frac{t_i}{t_j} = \frac{\eta_j}{\eta_i}$

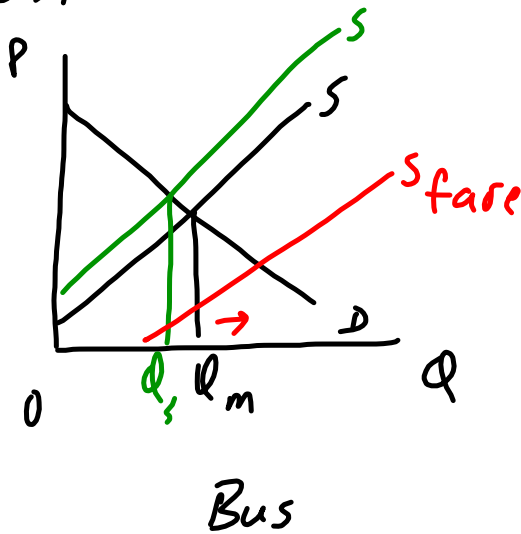
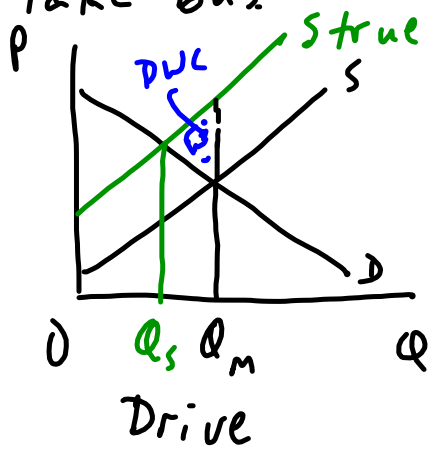
- lump sum tax - independent of behavior
 - poll or head tax
 indep. of income, household structure, occupation

Offset pre-existing distortions

Theory of the Second Best - Lipsey / Lancaster

If distortions ($P \neq MC$) A, B + C
 we can't say better off with A + B

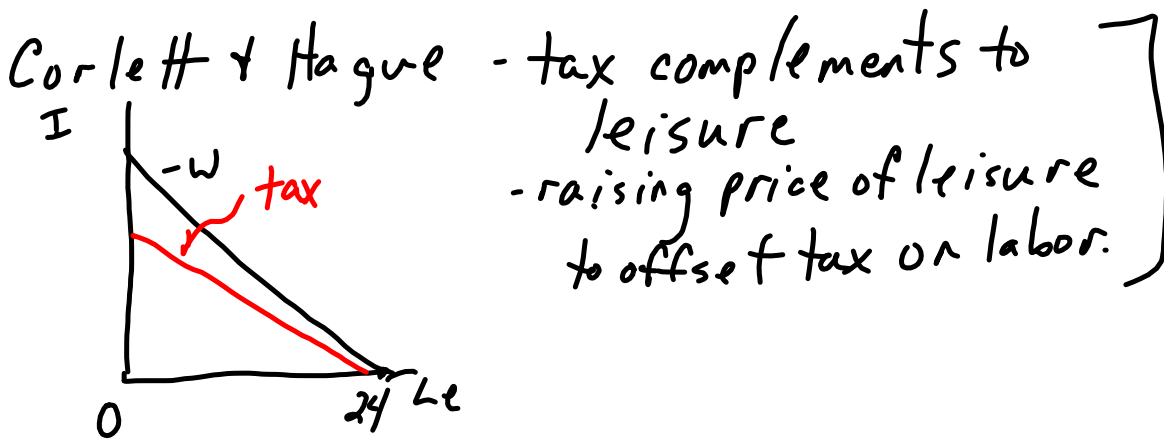
Drive to work } substitutes
 Take bus



Complements → can't remove subsidy to
 car - complement price ↑
 parking fees ↑

Appendix Ch B.

$P_i \neq MC_i$ then we do not want
 $P_j = MC_j$
 $P_i > MC_i$ j subst. $P_j > MC_j$
 j compl. $P_j < MC_j$



Equity - Horizontal.

Household A $I_A = I_B$
 " B $T_A = T_B$

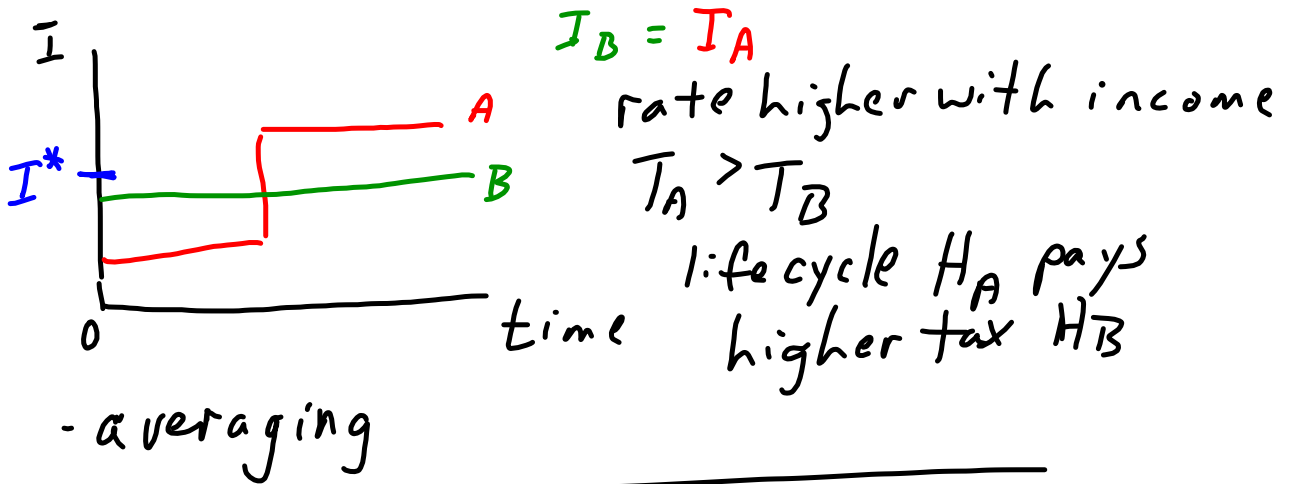
Vertical

$I_A > I_B$ $T_A > T_B$

Horizontal. → define income
 - repair own car or

hire repair	}	payroll tax
wages / salaries		+ income tax
interest / dividends	}	no payroll tax
capital gains		

- time structure -



Marriage tax - H_A & H_B
 2 persons each
 married $H_A = I'_A + I''_A$
 not file separately $H_B = I'_B + I''_B$

Violate Horizontal Equity

Vertical.

progressive vs regressive

Income tax reliance ↓

Payroll tax " ↑

H_A - 100,000/yr in wages

40% rate

H_B - 100,000/yr capital gains

20% rate

Ch 17 Personal Income TaxHaig - Simons

↳ Henry Simons

Amend 16 - Direct tax only at
Fed level prior1913. - $\frac{2}{3}$ H $\frac{1}{3}$ S
75% statesBase Δ wealth - all sources sameDeduct → expend to earn income.
education expend.
health + shelter (basic
personal exemption)