**Taxes**

Why isn’t your CSULA tuition considered a tax?

What is the definition of tax base? For example, what is the base of the tax that finances OASDI?

Explain why marginal tax rates should affect economic decisions, not average tax rates.

Why is the federal income tax considered a progressive tax?

Explain why most sales taxes are considered flat taxes?

Does a flat tax mean that the total tax liability is unchanged as the activity being taxed increases?

 Why is the OASDI tax considered regressive? Can you think of another tax that would be considered regressive?

What is meant by bracket creep?

Explain why a flat income tax should exhibit across-family and across-marriage equity.

In the example below, the marginal tax t=$5 per haircut.

Price

ST = SMC + t

S = SMC

C

W

PG=$53.50

P’=$50

A

B

PN=$48.50

Q’’

Haircuts (1000’s) / month

D =SMB

Q’

Why is Q’ (at point A) considered economically efficient?

Why didn’t the price of haircuts rise by $5, with the imposition of the tax?

Why is *W* considered the value of the inefficiency caused by the tax?

How much of the $5 tax is borne by the consumer? the producer?

Explain the relationship between the distribution of tax burden and the shape of the supply and demand curves.

Explain the relationship between the deadweight loss generated and the shape of the supply and demand curves.

Explain why the area PGCBPN above represents the revenue raised by the tax?