

Taylor Economics Chapter 14

1. What does the income tax collect revenue from?
2. Define capital gain.
3. What does the 16th Amendment to the Constitution allow?
4. How do exemptions and deductions reduce someone's taxes?
5. To calculate someone's tax, why does it take multiple steps for most people (i.e. why can't I just take 28% of \$122,000 for a married couple).
6. Define marginal tax rate.
7. Given the progressive nature of US tax brackets, why is average tax rate less than marginal tax rates for filers of taxes?
8. How can marginal tax rates affect someone's decisions about working an extra job or more hours at an existing job?
9. What does it mean if a tax system is progressive?
10. Explain what it means if a tax is regressive. Give an example.
11. What does it mean if tax rates are proportional?
12. Explain how a flat tax works by using a worker who makes \$6,000, one who makes \$45,000 and one who makes \$1,000,000.
13. What is a payroll tax?
14. Explain how a payroll tax is different than the income tax.
15. What type of programs are funded from payroll taxes?
16. How is it more expensive to be self-employed than to be employed by someone else?
17. What are corporate income taxes?
18. Define excise tax.
19. Define sales tax.
20. What is a tariff?
21. Draw the supply and demand curves for soda. Show what happens to the curves, price, and demand because of a "fat" tax imposed by the government (25 cents per container).
22. Shade the deadweight loss area.
23. How does elasticity affect the area of deadweight loss?
24. What does the term "tax incidence" mean?
25. Wages and salaries make up what percentage of total income for Americans?
26. How can the amount collected by the government fall even though tax rates are increased?
27. Describe what is seen in the Laffer Curve.
28. What is tax avoidance?
29. How does tax avoidance lead to diminished tax receipts for the government?
30. How is tax evasion different from tax avoidance?
31. What is a transfer payment?
32. What does a means-tested program require applicants to do?
33. What is a social insurance transfer?
34. Who receives medicaid?
35. What is medicaid?
36. Why is medicaid continually targeted for cuts when governments need to reduce spending?
37. Why can politicians get away with cutting Medicaid more readily than cutting Medicare?
38. What does SSI aim to do?

39. Why does the government run Head Start programs?
40. What does it mean when programs are described as being “transfer programs?”
41. What is the earned income tax credit?
42. What is the goal of transfer programs?
43. What is social security?
44. What does Medicare aim to do?
45. What are social insurance programs?
46. Given that projections for social security have it going broke within the next 20 years why should social security be seen as a scam by younger people?
47. Compare and contrast means and non-means tested social programs as to their mission.
48. Why are firms (economically) against providing mandated benefits?
49. How do mandated benefits lead to reduced employment opportunities?
50. How is the census bureau more than a once every ten years organization?
51. What percentage of the population is covered in a quintile?
52. Define the Lorenz Curve.
53. What is the purpose of the Lorenz Curve?
54. How is the information in the Lorenz Curve being broadcast by the “Occupy” Movement?
55. If income is equally distributed throughout society what will the Lorenz Curve look like?
56. What is closer to equitable distribution, a line with little curvature or lots of bend to it?
57. What statistical measure is used to quantify the findings of the Lorenz Curve?
58. What number shows perfect income distribution among all people within the society?
59. What number demonstrates that income is being completely monopolized?
60. How can income distribution be more concentrated and yet everyone be better off?
61. What percentage of people will change income quintiles over a ten-year period?
62. How can living patterns affect income distribution?
63. How is wealth different than income?
64. Define poverty rate.
65. What is the poverty line?
66. Go online and look up what the current poverty line is for a family of four.
67. Why should a government be concerned if the number of people living in poverty is rapidly increasing?
68. What success have social welfare transfer payments had in the United States?
69. Do problem 2 on page 391.
70. Do problem 6 on page 392.
71. Do problem 7 on page 392.
72. Do problem 9 on page 392.
73. Do problem 10 on page 392.