

BUS 223H – Tax Policy Capstone

Summer 2016

Professors Foldvary and Nellen

Assignment Due June 23, 2016 (first session) at start of class (hard copy) – 20 points

1. We will discuss principles and policies underlying different types of taxes. To get us started, find and read, *Cook v Tait*, 265 U.S. 47 (1924) and explain the income tax principle presented by this case.
2. What is the purpose of the sales tax?
3. Access the [hearing webpage](#) of the April 25, 2013 House Ways and Means Committee tax reform hearing entitled, *Tax Reform and Residential Real Estate*. Read the testimony of Eric Toder and answer the following questions:
 - a. Do all individuals with mortgage interest claim a tax deduction? (yes or no) Explain.
 - b. What type of taxpayer most benefits from the mortgage interest deduction?
 - c. Does the mortgage interest deduction help individual to purchase a home? Explain.
 - d. Did the testimony change your perspective on the mortgage interest deduction? (yes or no) Explain.
 - e. Summarize one argument offered by the Joint Committee on Taxation that supports the income tax deduction for the mortgage interest deduction.
4. What rule would you suggest that lawmakers follow to better ensure that a tax system and tax laws are simple? Write out the rule with a brief explanation of it. For example, to be sure I don't forget to come to class, I have a rule that I check my calendar every hour on the hour. What might a rule look like that would help lawmakers be sure tax laws they right help the tax system to be simple.
5. Complete this sentence: I think a tax system is "fair" if it ... [2 – 3 sentences]
6. Using the data in the JCT report – *Overview of the Federal Tax System*, Table A-6 (see link in syllabus for June 23), is it fair that the roughly 150,000 individuals with income of \$500,000 or more pay roughly 44% of the total federal income taxes? Explain.
7. Assuming the income tax should have a tax preference (beneficial rule) for higher education costs, should it be a deduction or a tax credit? [there is no right or wrong answer; provide your answer and why – 1 paragraph]
8. Think about and explain this statement: Not allowing a deduction for something is equivalent to taxing it.

AND – Be sure to complete the introductory quiz on Canvas. This quiz does not involve any preparation. It is intended to show your instructor what you already know and your goals for the class.

AND – See the reading noted on the syllabus for June 23 (you can also read ahead if you have time).