

## **ECON 5990-303: Economics of Taxation**

### **Course Description:**

Public Finance is the study of the role of government and taxation in a market oriented economy and the effects of taxation on resource allocation (efficiency) and income distribution (equity). In this course, we will discuss the fundamental theoretical principles that justify the existence of the public sector and coercive taxation. These include various types of market failure, public goods, and externalities. We seek to compare and contrast the concepts of market failure and government failure, to better understand what the role of the public sector should and should not be in a market oriented economy.

We will address both the positive and normative aspects of government **taxation**. Our **positive** analysis will focus on how the government (mainly the US but other countries as well) currently raises tax revenue and what effects these policies/programs have on economic behavior and outcomes. Our **normative** analysis will focus on how economic theory indicates governments **should** raise revenues. This course focuses mainly on taxation (the revenue **raising** side) and leaves the analysis of government programs (the revenue **spending** side) less formally covered. Two additional goals are as follows: 1) that you leave the course with a better understanding of how the analytical tools of economics enable further critical thinking about other public policies as you move on in your lives & 2) that you strengthen your research, writing, and critical thinking skills.

### **Course Dates:**

Dates: September 24-November 3, 2017

Last day to enroll or drop without penalty: August 26, 2017

### **Site Director:**

Email: [aphickam@ou.edu](mailto:aphickam@ou.edu). Phone: 808-449-6364 (DSN & Commercial).

### **Professor Contact Information:**

Course Professor: Gregory Burge, Ph.D.

Mailing Address: University of Oklahoma  
Economics Department, 308 CCCD1  
Norman, OK 73019.

Telephone Number: (405)325-2358

E-mail Address: [gburge@ou.edu](mailto:gburge@ou.edu)

Professor availability: The professor will be available via e-mail to students before and after the class sessions. On-site office hours are half an hour before and after each class session, by appointment.

### **Textbook(s) and Instructional Materials:**

Student materials are available at the OU Follett Bookstore located at 1185 Asp Avenue; Norman, OK, and can be ordered online, by phone, by email, or by fax. Ordering online at <http://www.bkstr.com/oklahomastore/home> is strongly recommended – students can track the status of their order within 48 hours. If an order has not been shipped within three days, students can contact the Follett textbook manager by phone (405) 325-3511, (800) 522-0772 (toll-free) or email [0831mgr@fheg.follett.com](mailto:0831mgr@fheg.follett.com). Phone orders (ask for the textbook manager and identify yourself as an Advanced Programs student) can be placed 8 a.m. to 6 p.m. Monday through Thursday; 8 a.m. to 5 p.m. on Friday; 10 a.m. to 4p.m. on Saturday (CST). Summer hours: 9 a.m. to 5 p.m. Monday through Friday (CST). Fax orders can be placed 24 hours a day at (405) 325-7770. Text prices are available online.

1. Rosen, H. & Gayer, T. (2014). *Public finance* (10<sup>th</sup> ed.). New York: McGraw-Hill. ISBN 9780078021688. Professor has approved the use of previous editions.

2. Materials posted on the OU Canvas learning management system: Chapter PowerPoints used in class discussions, Practice Problem sets (to be used during class), and other documents. Access Canvas at <https://canvas.ou.edu> , enter your OU NetID and password, and select course to access material. If you require assistance with Canvas, please click on the Help icon. You can search the Canvas guides, chat with Canvas support, or contact OU IT.

**Note:** Follett is the Advanced Programs contractual textbook provider. Should text changes become necessary after publication of the course syllabus, Advanced Programs will facilitate text returns/refunds only for texts purchased through Follett.

### **Course Objectives:**

Upon successful completion of this course students will be able to:

1. Construct and analyze models of taxation and market efficiency for public and private goods.
2. Understand the main sources of market failure and need for taxation to provide public goods.
3. Critically analyze different models used to justify income redistribution through taxation.
4. Become experts in the material we cover on sales taxes, income taxes, capital gains taxes, property taxes, and various other concepts in taxation.
5. Identify the roles of municipal governments and become familiar with the landscape of local public taxation in the United States.
6. Complete a paper that documents the historical circumstances leading to the implementation of a particular tax of the students' choice, including a description of the modern realization of that tax, along with a discussion of how the tax influences economic behavior and how economists would critique the tax policy on the basis of efficiency and equity related concerns. The paper will incorporate the various tools and concepts developed in the course.

### **Course Outline:**

- Section I. Chapters 1 - 3: Developing the Tools of Public Economics
- Section II. Chapter 4 - 5: Market Failure and the role of Taxation
- Section III. Chapters 12, 14, 15, 16: Concepts in taxing efficiently and equitably
- Section IV. Chapters 17 - 18: Taxing Income & Wealth
- Section V. Chapters 20, 22: Topics in Taxation – Deficit Finance and Fiscal Federalism

### **Assignments, Grading and Due Dates:**

#### **Readings:**

Due to the short nature of the class meeting window, students are assumed to have obtained the textbook and completed at least a preliminary reading of the course material prior to the first class meeting. Assigned chapters should at least be reviewed to become familiar with the main topics and vocabulary so our limited time in class can be spent most effectively. **Any edition** of the textbook is acceptable to review. All references to chapters come from the 10<sup>th</sup> edition. I have laid out the subject matter of the chapters so you can identify which chapters apply if previous versions of the textbook are used. If you have any questions at all – please email me with a note about the chapter titles from the edition you are using and I will let you know how your chapters fit within the course coverage.

1. Introduction & developing the tools of Public Economics (Section I, Chapters 1-3). Here we will introduce the tools, theories, and terminology of Public Economics & Taxation.
2. Market Failure and the Role of Taxation (Section 2, Chapters 4-5). Pigouvian Taxes and the need to tax to raise funds for the provision of public goods will be the focus here. The theory of taxation begins with these two generally acknowledged forms of market failure.

3. Concepts in Taxing Efficiently and Equitably (Section 3, Chapters 12, 14, 15, & 16). Here we introduce the idea of taxation as a tool for income redistribution, the theory of excess burden, and models investigating tax incidence.
4. Taxing Income and Wealth (Section 4, Chapters 17-18). The two most consistent sources the government uses to tax are income and wealth. We will cover the US income tax code in a decent level of detail, as well as introduce other topics relevant to the theory of taxation.
5. Topics in Taxation – Deficit Finance and Fiscal Federalism (Section 5, Chapters 20 & 22). The final chapter covers residential sorting (Tiebout sorting) and “Benefit taxes”, and Tiebout sorting.

**Exams:**

The course will have 2 in-class exams, the second being the final exam. Each will be held in class and will last (at most) 90 minutes. The first exam will cover Sections I, II, and the first two Chapters in Section III. The second exam will cover the rest of section III, as well as sections IV, & V. Both will consist of multiple choice and short answer free response questions. Each exam will be worth 35% of the final grade for the course. Each exam will be curved using a system where the highest natural score is raised to a 100 and all other exams have the same amount added. No additional curves will be given when calculating the final grades for the course.

**Written Paper:**

For the remaining 30% of your grade, each student will complete a short paper to be written on tax policy of your choice. Each tax policy must be selected by no more than one student (on a first come basis). The first opportunity to select a tax policy will come at the first meeting. In a brief (7-10 pages, double-spaced, 12 point font) manner you will document your tax policy in a way that uses the tools and theories we cover in this class. The assignment guide will give more refined details. **The due date for the paper is November 3, 2017.** The paper can be emailed as an attachment to me at [gburge@ou.edu](mailto:gburge@ou.edu).

**Grading:**

This is a letter-graded course: A, B, C, D, or F.

**Notice:** Failure to meet assignment due dates could result in a grade of I (Incomplete) and may adversely impact Tuition Assistance and/or Financial Aid.

## **POLICIES AND NOTICES**

### **Attendance/Grad Policy**

**Note:** Attendance/absences do not apply to online courses. However, participation in all course activities is extremely important to student success in online courses.

Excused absences are given for professor mandated activities or legally required activities such as emergencies or military assignments. It is the policy of the University to excuse absences of students that result from religious observances and to provide without penalty for the rescheduling of examinations and additional required class work that may fall on religious holidays. Unavoidable personal emergencies, including (but not limited to) serious illness; delays in getting to class because of accidents, etc.; deaths and funerals, and hazardous road conditions will be excused.

If you are obtaining financial assistance (TA, STAP, FA, VA, Scholarship, etc.) to pay all or part of your tuition cost, you must follow your funding agency/institution's policy regarding "I" (Incomplete) grades unless the timeline is longer than what the University policy allows then you must adhere to the University policy. Students who receive Financial Aid must resolve/complete any "I" (Incomplete) grades by the end of the term or he/she may be placed on "financial aid probation." If the "I" grade is not resolved/completed by the end of the following term, the student's Financial Aid may be suspended making the student ineligible for further Financial Aid.

Students are responsible for meeting the guidelines of Tuition Assistance and Veterans Assistance. See the education counselor at your local education center for a complete description of your TA or VA requirements.

### **Academic Integrity and Student Conduct**

Academic integrity means honesty and responsibility in scholarship. Academic assignments exist to help students learn; grades exist to show how fully this goal is attained. Therefore all work and all grades should result from the student's own understanding and effort.

Academic misconduct is any act which improperly affects the evaluation of a student's academic performance or achievement. Misconduct occurs when the student either knows or reasonably should know that the act constitutes misconduct. Academic misconduct includes: cheating and using unauthorized materials on examinations and other assignments; improper collaboration, submitting the same assignment for different classes (self-plagiarism); fabrication, forgery, alteration of documents, lying, etc...in order to obtain an academic advantage; assisting others in academic misconduct; attempting to commit academic misconduct; destruction of property, hacking, etc...; intimidation and interference with integrity process; and plagiarism. All students should review the Student's Guide to Academic Integrity at [http://integrity.ou.edu/students\\_guide.html](http://integrity.ou.edu/students_guide.html)

Students and faculty each have responsibility for maintaining an appropriate learning environment. All students should review policies regarding student conduct at <http://studentconduct.ou.edu/>

### **Accommodation Statement**

The University of Oklahoma is committed to making its activities as accessible as possible. For accommodations on the basis of disability, please contact your local OU Site Director.

### **Adjustment for Pregnancy/Childbirth-Related Issues**

Should you need modifications or adjustments to your course requirements because of documented pregnancy-related or childbirth-related issues, please contact me as soon as possible to discuss. Generally, modifications will be made where medically necessary and similar in scope to accommodations based on temporary disability. Please see <http://www.ou.edu/content/eoo/faqs/pregnancy-faqs.html>.

## **Title IX Resources**

For any concerns regarding gender-based discrimination, sexual harassment, sexual misconduct, stalking, or intimate partner violence, the University offers a variety of resources, including advocates on-call 24/7, counseling services, mutual no-contact orders, scheduling adjustments, and disciplinary sanctions against the perpetrator. Please contact the Sexual Misconduct Office at [smo@ou.edu](mailto:smo@ou.edu) or (405) 325-2215 (8-5), or the Sexual Assault Response Team at (405) 615 -0013 (24/7) to report an incident. To learn more about Title IX, please visit the Institutional Equity Office's website at <http://www.ou.edu/content/eoo.html>

## **Course Policies**

Advanced Programs policy is to order books in paperback if available. Courses, dates, and professors are subject to change. Please check with your OU Site Director. Students should retain a copy of any assignments that are mailed to the professor for the course.

Any and all course materials, syllabus, lessons, lectures, etc. are the property of professor teaching the course and the Board of Regents of the University of Oklahoma and are protected under applicable copyright.

For more information about Advanced Programs, visit our website at: <http://www.goou.ou.edu/>

## INSTRUCTOR VITA

Gregory Burge, Ph.D.

### Education:

2005 Ph.D., Economics, Florida State University

### Current Positions:

- Associate Professor of Economics, University of Oklahoma
- Advanced Programs Professor since 2014

### Frequently Taught Advanced Programs Courses

- ECON 5453 Advanced Urban Economics
- ECON 5990 Labor Economics
- ECON 5990 Economics of Taxation

### Major Areas of Teaching and Research Interest

- Urban Economics & Housing Economics
- Public Economics (Teach Public Finance at graduate & undergraduate level)
- Microeconomics (Teach at undergraduate level)

### Representative Publications and Presentations

- “Housing Wealth, Property Taxes and Labor Supply among the Elderly.” (with Lingxiao Zhao), *Journal of Labor Economics*, forthcoming.
- “Leaders, Followers, and Asymmetric Local Tax Policy Diffusion.” (with C. Rogers) *Journal of Regional Science*, 2016.
- “Racial Discrimination or Statistical Discrimination? MLB Rookie Card Values and Performance Uncertainty.” (with Arthur Zillante), *Social Science Quarterly*, forthcoming.
- “Can Development Impact Fees Help Mitigate Urban Sprawl?” (with T. Trosper, A. Nelson, J. Jurgensmeyer, and J. Nicholas) *Journal of the American Planning Association*, 2013.
- “The Capitalization Effects of School, Residential, and Commercial Impact Fees on Undeveloped Land Prices”, *Regional Science and Urban Economics*, Vol. 44, No. 1, 2014.
- “Promoting Sustainable Land Development Patterns through Impact Fee Programs” (with Keith Ihlanfeldt), *Cityscape*, Vol. 15, No. 1, 2013.
- “Strategic Fiscal Interdependence: County and Municipal Adoptions of Local Option Sales Taxes” (with Brian Piper), *National Tax Journal*, Vol. 65, No. 2, 2012.
- “Local Option Sales Taxes and Consumer Spending Patterns: Fiscal Interdependence under Multi-tiered Local Taxation”, (with C. Rogers). *Regional Science and Urban Economics*, Vol. 41, 2011.
- “Do Tenants Capture the Benefits from the Low-Income Housing Tax Credit Program?” *Real Estate Economics*, Vol. 39, No.1, 2011.
- “Development Impact Fees and Employment” (with Keith Ihlanfeldt), *Regional Science and Urban Economics*, Vol. 39, No.1, 2009.
- “Effects of Proportionate-Share Impact Fees” (with Arthur C. Nelson and John Matthews), *Housing Policy Debate*, Vol. 18, No.4, 2007.
- “Impact Fees and Single-Family Home Construction” (with Keith Ihlanfeldt), *Journal of Urban Economics*, Vol. 60, No.2, 2006.
- “The Effects of Impact Fees on Multifamily Housing Construction” (with Keith Ihlanfeldt), *Journal of Regional Science*, Vol. 46, No.1, 2006.
- “Estimating Aggregate Levels of Property Tax Assessment within Local Jurisdictions: An Extension of the Ihlanfeldt Model to Multiple Land Uses” (with K. Ihlanfeldt), *National Tax Journal*, 2005.

### **Representative Honors and Awards Received**

- David C. Lincoln Research Fellowship, Lincoln Institute of Land Policy, 2011
- Koch Foundation research grant, 2010, 2012, 2014
- HUD Doctoral Dissertation Research Grant, 2004
- Lincoln Institute of Land Policy Dissertation Fellowship, 2004
- Florida State University National Merit Scholarship, 1996-2000

### **Major Professional Affiliations:**

- American Economic Association
- American Real Estate & Urban Economic Association
- National Tax Association
- Southern Economic Association.