

Tax Policy and Public Finance: Introduction

August 20, 2019

Some Basic Concepts

- Key elements of tax bases
 - Income
 - Consumption
 - Wealth
- Related, via Haig-Simons income definition:
 - $\text{Income} = \text{consumption} + \text{accretions to wealth}$

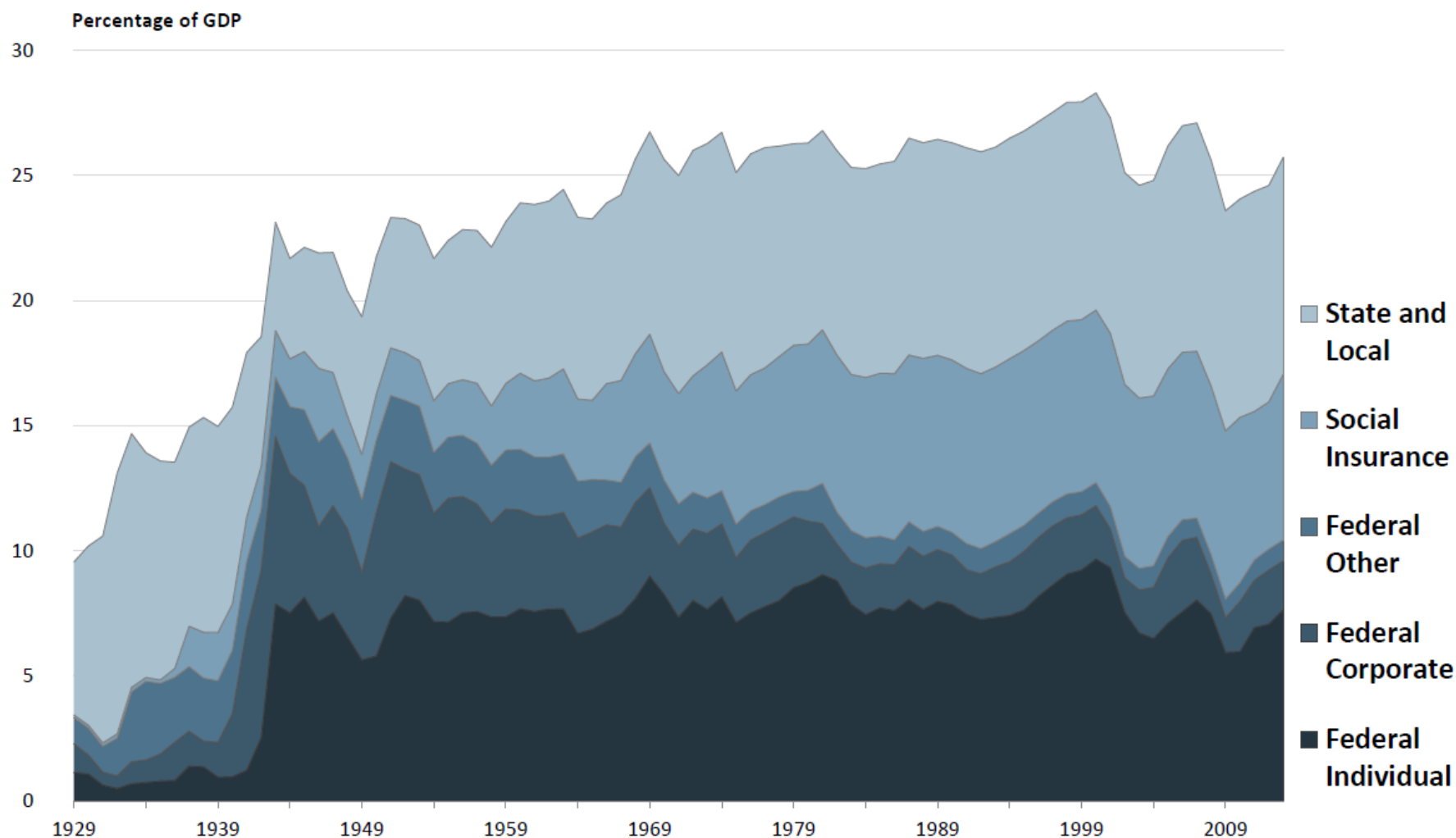
Defining Consumption and Wealth

- Many questions of classification; e.g.,
 - Medical expenses
 - Gifts and bequests
 - Tax payments for state and local government services
 - Is “human capital” part of wealth?

How Do We Tax Income?

- Annual calculation
- Realization based for both wage and salary income and capital income (but with exceptions)
- Ignore some components of income, notably imputed rent on housing and consumer durables

TOTAL TAX RECEIPTS AS A PERCENTAGE OF GDP: 1929-2013



Note: "Federal Other" includes federal estate taxes, gift taxes, and custom duties. Excludes Federal nontaxes. "Social Insurance" includes Employer, Employee and Self-Employed Contributions at the Federal, State and Local levels.

Source: Bureau of Economic Analysis, National Income and Product Accounts, Annual Tables 1.1.5, 3.2, 3.3, 3.6.

<http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1>

25-May-18

Taxes as a Percentage of GDP, 2015

Country	Total Tax Receipts as Share of GDP	Country	Total Tax Receipts as Share of GDP
Denmark	45.9%	Czech Republic	33.3%
France	45.2%	New Zealand	33.0%
Belgium	44.8%	United Kingdom	32.5%
Finland	43.9%	Poland	32.4%
Austria	43.7%	Slovak Republic	32.3%
Italy	43.3%	Canada	32.0%
Sweden	43.3%	Israel (1)	31.3%
Hungary	39.0%	Japan	30.7%
Norway	38.3%	Latvia	29.0%
Netherlands	37.4%	Australia	28.2%
Germany	37.1%	Switzerland	27.7%
Luxembourg	36.8%	United States	26.2%
Iceland	36.7%	Korea	25.2%
Slovenia	36.6%	Turkey	25.1%
Greece	36.4%	Ireland	23.1%
Portugal	34.6%	Chile	20.5%
Estonia	33.9%	Mexico	16.2%
Spain	33.8%	OECD - Unweighted Average	34.0%
		OECD - Weighted Average (2)	33.1%

Tax Structures as Percentage of Total Tax Receipts, 2014

Country	Personal income tax	Corporate income tax	Social security contributions		Consumption Taxes	Other taxes
			Employees	Employers		
Australia	41.0	16.8	--	--	23.3	18.8
Austria	23.6	5.0	13.8	16.0	25.4	16.2
Belgium	28.6	7.2	9.3	19.5	22.5	12.9
Canada	36.3	10.5	6.0	8.6	21.6	16.9
Czech Republic	7.3	21.3	7.0	0.2	51.9	12.3
Chile	10.8	10.6	8.9	27.7	31.2	10.8
Denmark	54.0	5.3	0.1	0.1	27.8	12.7
Estonia	17.5	5.3	1.8	31.6	40.2	3.6
Finland	30.6	4.4	6.8	19.9	31.7	6.7
France	18.7	5.1	9.3	25.1	23.4	18.3
Germany	26.3	4.8	17.0	17.9	26.7	7.3
Greece	16.4	5.3	11.8	12.5	39.9	14.1
Hungary	13.9	3.8	13.5	19.0	42.9	6.9
Iceland	34.9	8.6	9.5**	n/a	29.5	17.4
Ireland	32.0	8.3	6.1	10.5	30.7	12.5
Israel	18.6	10.2	10.7	4.7	36.7	19.0
Italy	25.9	5.0	5.5	20.0	23.9	19.8
Japan	18.9	12.9	17.3	18.1	18.2	14.5
Korea	16.3	12.8	11.3	12.3	28.1	19.3
Latvia	20.5	5.3	8.9	20.0	38.4	6.8
Luxembourg	23.2	11.4	13.1	12.2	28.3	11.8
Mexico	19.7	16.9	20.6**	n/a	32.8	10.0
Netherlands	18.7	6.9	19.4	14.1	26.2	14.7
New Zealand	38.6	13.2	--	--	36.0	12.3
Norway	25.4	17.1	8.8	15.3	27.2	6.2
Poland	14.3	5.4	14.2	15.7	35.0	15.4
Portugal	22.5	8.3	11.5	14.7	36.3	6.7
Slovak Republic	9.6	10.6	9.8	24.4	31.2	14.4
Slovenia	14.0	3.9	20.4	14.9	37.8	9.0
Spain	22.3	6.1	5.4	24.1	26.8	15.2
Sweden	28.6	6.3	6.2	16.7	27.4	14.8
Switzerland	31.0	10.4	11.5	11.5	19.4	16.1
Turkey	14.7	6.4	10.8	15.9	42.4	9.7
United Kingdom	27.4	7.5	7.3	10.9	32.0	14.9
United States	39.3	8.4	10.7	12.0	14.7	14.9
OECD average	24.0	8.8	9.5	14.7	30.5	12.4

Who Pays No Income Tax? A 2013 Update

By Robertson Williams

Percentage of Tax Units With Zero or Negative Federal Individual Income Tax Liability by Filing Status and Expanded Cash Income Level, 2013^a

Expanded Cash Income (2013 dollars) ^b	Tax Filing Status			Elderly Tax Units	Tax Units With Children	All Tax Units
	Single	Married Filing Jointly	Head of Household			
Less than \$10,000	99.6	99.5	99.5	100.0	99.5	99.5
\$10,000 - \$20,000	82.4	98.3	98.7	99.0	99.9	86.2
\$20,000 - \$30,000	51.3	90.2	94.0	89.8	99.5	66.2
\$30,000 - \$40,000	23.7	83.0	86.0	54.8	95.7	49.3
\$40,000 - \$50,000	9.0	72.8	72.6	48.1	84.6	40.8
\$50,000 - \$75,000	4.8	44.2	38.1	24.7	57.5	26.4
\$75,000 - \$100,000	3.1	18.1	9.7	9.7	25.5	12.6
\$100,000 - \$200,000	2.0	3.7	3.5	3.7	5.2	3.4
\$200,000 - \$500,000	1.5	0.8	0.3	1.3	0.8	0.8
\$500,000 - \$1,000,000	0.9	0.5	1.2	0.4	0.6	0.5
More than \$1,000,000	0.2	0.2	0.2	0.3	0.1	0.2
All	46.6	30.7	68.4	52.9	51.3	43.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0613-1), Table T13-0230.

^aCalendar year. Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

^bTax units that pay no individual income tax are those with individual income tax liability of less than \$5. For a description of expanded cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.