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Econ 4620 Public Economics S2010: Seminar assignment for week 17

Problem 1

- a. What is the case for having loss offset provision? What form does it usually take?
- b. What is the main problem with having a dual income tax?
- c. Does a tax on corporate income equal to the tax on interest distort the intertemporal allocation?
- d. Let A_0 be the acquisition price of a share at time 0. Suppose that in each period the dividend being distributed exceeds the return allowance in the Norwegian shareholder tax model)? What is the stepped-up basis of the share at time s ?
- e. Show in this case that the shareholder tax is equivalent to a cash flow tax.
- f. What is the purpose of the return allowance (or RRA - rate of return allowance)?
- g. Explain formula (7) in Sørensen's article (compendium p. 198).

Problem 2

Discuss similarities between a commodity tax and a tax on capital income within an extended (intertemporal) Mirrlees model. Discuss limitations of the model of particular relevance in an intertemporal setting.

Problem 3

Is there a stronger case for levying Pigouvian taxes when existing taxes are distortionary?

Problem 4

Discuss some arguments for public provision of private goods.

Problem 5

Consider three electricity tax regimes where an excise tax is levied on electricity.

- a) An electricity tax only on consumers
- b) An electricity tax only on firms
- c) An electricity tax on firms exempting energy-intensive production.

Discuss conceivable arguments for/against the tax in each case. (Recall that electricity is a produced input.)

Problem 6

Suppose the imputed return to owner-occupied housing is taxed at a lower rate than the return to other capital. Discuss this tax setting from a social efficiency perspective.