

Not All Taxes Are Created Equal

Worksheet (KEY)

Name: _____

Date: _____

1. Most taxes can be divided into three buckets: Taxes on what you EARN, taxes on what you BUY, and taxes on what you OWN.
2. Taxes on the most mobile factors in the economy, such as capital, cause the (MOST | LEAST) distortions and have the (MOST | LEAST) negative impact. Taxes on factors that can't easily be moved, such as land, are the (MOST | LEAST) stable and (MOST | LEAST) distortive.
3. TRUE | FALSE: Payroll taxes are one of the *most harmful* ways to raise revenue.
4. TRUE | FALSE: Individual income taxes have a *negative effect* on the economy.
5. Gross receipts taxes (GRTs) are applied to A COMPANY'S GROSS SALES, regardless of profitability and without deductions for business expenses.
6. "Tax pyramiding" is when:

Sales taxes do not affect decisions to work or invest, and when appropriately structured, they do not lead to tax pyramiding or changes in consumption.

7. What is the best federal tax policy change to produce economic growth?

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8. Because of their NARROW BASE, excise taxes distort production and consumption choices.
9. Property taxes are (MORE | LESS) distortive than capital and income taxes.
10. Which tax policy delivers the best "bang for your buck?"

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