

PUBLIC FINANCE - TAXATION
ECONOMICS 3329B-001
Department of Economics
Western University

Prof. James Davies
Office: SSC 4092
Email: jdavies@uwo.ca

January, 2019
Office Hours:
M: 12:00-1:00
W: 4:00-5:00

Class Hours: M 1:30-2:30; W 1:30-3:30PM
Classroom: SSC 2020

Course Website: <https://owl.uwo.ca/portal>

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at student.uwo.ca. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

Prerequisite and Antirequisite Notes

The prerequisite for this course is **Economics 2261A/B**. The antirequisite is **Economics 2160A/B**.

You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of pre-requisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

Course Objectives:

This course covers the economics of taxation from both a theoretical and applied viewpoint. It is one of two courses in the Public Finance sequence. ECON 3328 focuses on government expenditure.

Learning Outcomes:

Students will be able to:

- use data from the national and public accounts to explain the level, growth and composition of taxes
- explain the division of tax powers between the three levels of government
- apply public finance theory to analyze the incidence, incentive, and welfare effects of each major type of tax
- distinguish rigorously between positive and normative analyses of taxation
- explain the implications of modern empirical studies for the analysis of the effects of taxes
- solve standard analytical problems in tax theory
- apply the main insights of optimal tax theory and the theory of the second best to tax policy
- assess and evaluate arguments for tax reform

Textbook (“RWS”): The textbook for this course is: Rosen, Harvey S., Jean-Francois Wen and Tracy Snoddon (2016), *Public Finance in Canada*, 5th edition, McGraw-Hill Ryerson, Toronto.

NOTE: *All readings from the textbook indicated in this outline are required. In addition any handouts provided in class are also required reading.*

Assessment: Your course grade will be computed in the following way:

Participation	10%
First Midterm (in class, Wed. Feb. 13)	20%
Second Midterm (in class, Wed. March 13)	20%
Final exam (cumulative, covers whole course)	50%

Participation: To assist in the evaluation of participation, students will provide a self-report at the end of the term on a form that will be provided, indicating the number of classes they missed, how often they asked questions in class, how often they responded to questions posed to the class by the instructor, and what proportion of exercises they attempted before they were taken up in class. (Exercises that should be done will be indicated in class on Wednesdays and discussed in class a week later.)

Attendance Requirement: Attendance is required. Students with unsatisfactory attendance may not be allowed to write the final exam. Students who are absent for more than two consecutive classes must provide a doctor’s note or other evidence that their absence was truly unavoidable.

Midterm Tests and Final Exams: The midterm tests will be held in classtime, on the dates indicated above. The final exam will be two hours long. Each midterm test will cover all elements of the course up to the time of the test. The final exam will cover all elements of the full course.

Course Contents and Required Readings

All readings from the textbook, **RWS**, are required. Any handouts provided in class are also required reading.

I. Introduction (Weeks 1 and 2)

RWS, chapters 1 and 14.

- Revenues and expenditure of governments in Canada
- income distribution
- partial equilibrium tax incidence studies
- general equilibrium incidence

II. Efficiency and Equity (Weeks 3 - 5)

RWS, chs. 15&16

- excess burden of taxation
- theory of the second best
- optimal tax theory
- production efficiency theorem
- Corlett-Hague proposition

III. Direct Taxes (Weeks 6&7)

RWS, chs. 17&18

- Personal Income Tax (PIT) system in Canada
- incentive effects on labor supply and saving
- income tax vs. consumption tax

IV. Sales, Excise and Carbon Taxes (Week 8)

RWS, chs. 5 & 19

- federal taxes: GST, excise taxes and duties
- provincial sales and excise taxes
- carbon tax; cap-and-trade (ch. 5)

V. Wealth and Property Taxes (Week 9)

RWS, ch. 20

- annual wealth tax
- property tax
- estate and gifts taxes

VI. Corporate Taxation (Weeks 10 - 12)

RWS ch. 21

- structure of Corporate Income Tax (CIT) in Canada
- relationship between CIT and PIT
- treatment of dividends and capital gains
- treatment of depreciation, interest payments
- incidence and excess burden

Please Note

Department Policies for 2018-2019

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at: <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations” http://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other Economics courses or programs. The University may impose further penalties such as a notation on an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at: http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryID=1&SelectedCalendar=Live&ArchiveID=#Page_14
Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome

may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at: http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals.

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

Deadline to <u>add</u> a second term half course:	Tuesday January 15, 2019
Deadline to <u>drop</u> a second term half course:	Thursday March 7, 2019

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy Regarding Makeup Tests and Final Examinations

*Academic accommodation will **not** be granted automatically on request. Students **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or having their value reweighted on a retroactive basis, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.

Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **24 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca. **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

Students who seek a makeup exam must also provide supporting medical or other relevant documentation that their absence from a scheduled test or exam is beyond their control. Documentation should be submitted to the Academic Counselling Office of the student's *home* Faculty **as soon as possible (preferably within 24 hours of the scheduled test)**. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. If the documentation submitted is not acceptable, students will receive a zero for the missed test.

For personal illness, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit. The off-campus medical certificate form must also be used and can be found at: http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf. Notes stating "For Medical Reasons" are not considered sufficient.

For religious or compassionate circumstances, students should ask their Academic Counsellor what documentation to provide. If documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple-color form for final exams). Once students have this form, they must contact their instructor as soon as possible to make arrangements. Even if approved by their Academic Counsellor, there is no guarantee that students will be allowed to write the makeup test/exam.

For final examinations, students need to seek permission from their *home* Faculty Counsellor, Instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in a grade of zero. Students must ensure that the Special Examination form has been signed by the Instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. If approved, makeup examinations will be written within one month of the end of the exam period.

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

Policy Regarding Class Attendance

If the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit http://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.