***Principles of Tax for Bus and Invest Plan 2018 Ed , 21e* (Jones)**
Chapter 2 Policy Standards for a Good Tax

1) A tax meets the standard of sufficiency if it is easy for people to pay the tax.

2) The federal government is not required to pay interest on the national debt.

3) A static forecast of the revenue effect of a tax rate change assumes that the tax base does not change.

4) A dynamic forecast of the revenue effect of a tax rate change assumes that the tax base does not change.

5) The federal Social Security tax burden on employees has not increased since 1990 because the tax rate has not increased since that year.

6) If State H increases its sales tax rate by 1%, its sales tax revenue must also increase by 1%.

7) The city of Berne recently enacted a 10% tax on the price of a subway ticket. Consequently, Mrs. Lane now walks to work instead of taking the subway. Her behavior illustrates the substitution effect of a tax increase.

8) Jurisdiction P recently increased its income tax rate. A taxpayer who reacts to the increase by working harder to earn more income is demonstrating the income effect of the rate increase.

9) According to supply-side economic theory, a decrease in tax rates for high-income individuals could actually cause an increase in tax revenue.

10) Supply-side economic theory holds that people who benefit from a tax rate reduction will spend their tax windfall on consumption goods.

11) State use taxes are more convenient for individual consumers than state sales taxes.

12) The Internal Revenue Service's cost of collecting $100 of tax revenue is about $3.

13) A convenient tax has low compliance costs for taxpayers and low collection and enforcement costs for the government.

14) According to the classical concept of efficiency, an efficient tax should be neutral in its effect on free market allocations of economic resources.

15) According to the Keynesian concept of efficiency, an efficient tax should be neutral in its effect on free market allocations of economic resources.

16) A tax meets the standard of efficiency if it generates enough revenue to pay for the public goods and services provided by the government.

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Chapter 2 Policy Standards for a Good Tax

1) A tax meets the standard of sufficiency if it is easy for people to pay the tax.
Answer: FALSE
Difficulty: 1 Easy
Topic: Static versus Dynamic Forecasting
Learning Objective: 02-01 Explain the concept of sufficiency of a good tax.
Accessibility: Keyboard Navigation

2) The federal government is not required to pay interest on the national debt.
Answer: FALSE
Difficulty: 1 Easy
Topic: Static versus Dynamic Forecasting
Learning Objective: 02-01 Explain the concept of sufficiency of a good tax.
Accessibility: Keyboard Navigation

3) A static forecast of the revenue effect of a tax rate change assumes that the tax base does not change.
Answer: TRUE
Difficulty: 1 Easy
Topic: Static versus Dynamic Forecasting
Learning Objective: 02-01 Explain the concept of sufficiency of a good tax.
Accessibility: Keyboard Navigation

4) A dynamic forecast of the revenue effect of a tax rate change assumes that the tax base does not change.
Answer: FALSE
Difficulty: 1 Easy
Topic: Static versus Dynamic Forecasting
Learning Objective: 02-01 Explain the concept of sufficiency of a good tax.
Accessibility: Keyboard Navigation

5) The federal Social Security tax burden on employees has not increased since 1990 because the tax rate has not increased since that year.
Answer: FALSE
Explanation: The Social Security tax burden increases annually because the tax base increases annually.
Difficulty: 2 Medium
Topic: Static versus Dynamic Forecasting
Learning Objective: 02-01 Explain the concept of sufficiency of a good tax.
Accessibility: Keyboard Navigation