

PA 890: Spring 2018

Time: Tues 8:50-10:45
Location: Grainger 1195
Instructor: Rourke O'Brien
Office Hours: Mon 2-4 (LFS 206)
& by appointment
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PUBLIC AFFAIRS 890: FEDERAL BUDGET AND TAX POLICY AND ADMINISTRATION

This course will review the basic economics of taxation; detail the structure of federal revenues; chart the federal budget process and interrogate proposals for reform; analyze the impact of major federal tax and spending proposals on the deficit and debt; and explore the relationship of tax and budget policy to social and economic issues including retirement, health care, education, and housing. The course will thoroughly analyze the 2017 Tax Cuts and Jobs Act (TCJA) and its implications. The course will also engage with questions of federalism as well as situate US tax and budget policy in international context. The aim of this course is to equip students with substantive knowledge of contemporary issues in federal tax and budget policy so that they can effectively evaluate the impact of proposed policy changes.

LEARNING OUTCOMES

- Students will be able to critically evaluate proposed changes to Federal tax and budget policy.
- Students will be able to develop and advocate for an original policy proposal related to Federal tax and spending.
- Students will be able to articulate their position on current issues related to Federal tax and budget policy.

COURSE READINGS

One Required Text

- Burman, Leonard E. and Joel Slemrod. 2012. *Taxes in America: What Everyone Needs to Know*. New York: Oxford University Press.

Additional course readings will be made available online via hyperlink in syllabus or course website. Note that readings may be updated as the policy conversation evolves and new analyses become available.

COURSE REQUIREMENTS

- Two written assignments (submitted via the canvas course website):
 - “FAKE NEWS” memo (4 pages double spaced) [**Due Week 7**]
 - White Paper (10 pages double spaced) on a topic of your choice related to federal tax and budget policy. [**Preliminary idea due Week 10 via canvas; Paper Due May 8th 2018**]
- One paragraph response to weekly discussion questions to be submitted via canvas by midnight the night before class.
- Midterm Exam [**Week 8**]
- Active participation in class activities and discussion

This is a 3-credit course. The credit standard for this course is met by an expectation of a total of 135 hours of student engagement with the courses learning activities which include regularly scheduled instructor/student meeting times reading, memo and paper writing, online class discussions and student work as described in the syllabus.

EVALUATION

Grades will be assigned based on the following:

- Fake News memo: 20%
- Midterm Exam 25%
- White Paper: 35%
- Discussion Questions: 10%
- Class Attendance and Participation: 10%

With final grades assigned out of 100 total percentage points:

93-100=A; 88-92=AB; 83-87=B; 78-82=BC; 70-77=C; 70-60=D; <60=F

Note: Students are expected to be familiar with and adhere to University of Wisconsin policies regarding academic honesty and integrity. See: students.wisc.edu/doso/academic-integrity/

All students are expected to actively participate in the course. Attendance and participation are worth 10% of the overall course grade. Participation will be evaluated as follows (adapted from UW-Madison Writing Across the Curriculum guidelines authored by Professor Virginia Sapiro):

Outstanding Contributor: Contributions in class reflect exceptional preparation. Ideas offered are always substantive and well considered. Challenges are well substantiated and persuasively presented. Helped build a constructive and respectful classroom environment. (Outstanding contributors will receive full credit = 10 points.)

Good Contributor: Contributions in class reflect thorough preparation. Ideas offered are usually substantive, provide good insights and sometimes direction for the class. Challenges are well

substantiated and often persuasive. Helped maintain a constructive and respectful classroom environment. (Good contributors will receive 8 out of 10 points.)

Adequate Contributor: Contributions in class reflect satisfactory preparation. Ideas offered are sometimes substantive, provide generally useful insights. Challenges are sometimes presented, fairly well substantiated, and are sometimes persuasive. Did not detract from efforts to maintain a constructive and respectful classroom environment. (Adequate contributors will receive 5 out of 10 points.)

Non-Participant: This person says little or nothing in class. Hence, there is not an adequate basis for evaluation. If this person were not a member of the class, the quality of discussion would not be changed. (Non-participants will receive 3 out of 10 points.)

Unsatisfactory Contributor: Either often absent from class or contributions in class reflect inadequate preparation. Ideas offered are seldom substantive, provide few if any insights and never a constructive direction for the class. Integrative comments and effective challenges are absent. This person made it more difficult to maintain a constructive and respectful classroom environment. (Unsatisfactory contributors will receive 0 out of 10 points.)

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COURSE OUTLINE AND READINGS [SUBJECT TO AMENDMENT]

Week 1 (Jan 23) Introductions, Overview and Motivation for the Course

Week 2 (Jan 30) Taxation and Public Policy

- Searching for a Just Tax System -- Urban Institute
- Burman and Slemrod Chapter 1, 10, 11.

Discussion Questions: Describe your ideal taxation regime.

Week 3 (Feb 6) Federal Payroll and Income Taxes: A Primer

- Burman and Slemrod Chapter 2
- The Worst Tax Breaks [NYTimes Room for Debate; Read All Submissions]
- Who Pays Taxes In America? Citizens for Tax Justice
- Policy Basics: Federal Payroll Taxes – Center on Budget and Policy Priorities

Discussion Questions: Should home mortgage interest be deductible? What about student loan interest?

Week 4 (Feb 13) Federal Personal Income Taxes & 2017 Tax Bill

- Details of the Conference Report on the Tax Cuts and Jobs Act – Tax Foundation
- Burman and Slemrod Chapter 12
- It Started as a Tax Cut. Now It Could Change American Life -- New York Times
- The Republican Tax Bill Explained – Vox
- Pros and Cons of the Federal Estate Tax – Forbes

Discussion Questions: Should we eliminate, increase, or maintain the federal estate tax?

Week 5 (Feb 20) Corporate Income Taxes & 2017 Tax Bill

- Territorial Taxation: Choosing Among Imperfect Options – American Enterprise Institute
- The TCJA will create more complexity for taxpayers than it claims – Tax Policy Center
- Who Pays the Corporate Income Tax? – Bruce Bartlett
- Burman & Slemrod Chapter 3

Discussion Questions: Should the U.S. have a territorial tax system? How likely is it that corporate income tax cuts will lead to wage increases?

Week 6 (Feb 27) Tax “Reform,” the Deficit and Economic Growth

- Can Tax Reform Generate 0.4% Additional Growth? – Committee for a Responsible Federal Budget
- Conventional Vs. Dynamic Scoring of the TCJA [review JCT, TPC, Tax Foundation, Penn Wharton and CRFP Models]
- Burman and Slemrod Chapter 6
- ‘You Better Learn Our Lesson’ – Lessons from Kansas – The Atlantic

Discussion Questions: What are some of the key differences in the models used to score the TCJA? Which do you find more credible and why?

Week 7 (March 6) Where Do We Go From Here? Immediate Issues in Fed Tax Policy

[Fake News Memo Due]

- State Strategies to Preserve SALT Deductions for High Income Taxpayers: Will They Work? – Tax Foundation
- 21 Million Taxpayers Will Stop Taking the Charitable Deduction Under the TCJA – Tax Policy Center
- Who Will Pay for the TCJA? – Tax Policy Center

Week 8 (March 13) Midterm Exam

Week 9 (March 20) Basics of The Federal Budget and Budget Process

- What Are Dynamic Scoring and Dynamic Analysis? – Tax Policy Center
- President’s Fiscal Year 2016 Budget Request (read pages 1-12, 85-88; skim rest of document for proposals of interest to you)
- Policy Basics: Introduction to the Federal Budget Process
- Time To Reform the Federal Budget Process
- Reforming the Budget: How to Fix the Congressional Budget Process
- An Analysis of Selected Budget Reforms

Discussion Questions: What single change would you make to the federal budget process?

****Spring Break****

Week 10 (April 3) Entitlement Programs Past, Present and Future

- [What the 2015 Trustees' Report Says About Social Security](#)
- [Medicare is Not "Bankrupt"](#)
- [An Evidence Based Path to Disability Insurance Reform](#)
- [Expanded Social Security: A Plan to Increase Retirement Security for All Americans](#)
- [Social Security Reform: A Conservative Plan](#)
- [Updating Social Security for the 21st Century](#)

Discussion Questions: Does Social Security need to be "fixed"? How would you change social security going forward?

Week 11 (April 10) Discretionary Spending

- [The Moment of Truth \(Pages 1-27\)](#)
- [Non-Defense Discretionary Programs](#)
- Pick a Federal Department/Agency of Interest and Review President's FY2019 Budget Request and that Department or Agency's Budget Justification

Discussion Questions: Quickly summarize and evaluate policy/line item from the budget request of a Federal Agency.

Week 12 (April 17) Deficits, Debt and Demographics in the Short and Long Run

- [Nobody Understands Debt](#)
- [Is the Budget Deficit Even a Problem? \(read linked posts\)](#)
- [CRFB: Long Term Budget Outlook](#)
- [CBO: The Budget and Economic Outlook](#)
- [Debt, Growth and the Austerity Debate](#)
- [Debt and Growth: A Response to Reinhart and Rogoff](#)

Discussion Questions: Do debts and deficits matter? In what way or to what extent?

Week 13 (April 24) Fiscal Federalism

- [Federalism in Blue and Red](#). National Affairs Summer.

Discussion Questions: To what extent should state fiscal capacity be considered when making federal appropriations to states for key public sector programs?

Week 14 (May 1) US Tax and Budget Policy in Comparative Perspective

- America Undertaxed
- Comparing Public Spending and Priorities Across OECD Countries
- How Progressive is the US Federal Tax System?

Discussion Questions: In comparing U.S. Fiscal (Tax and Budget) policy to OECD counterparts, what stands out to you in terms of both difference and similarity?

[Final Paper Due May 8]