Effects Of Income Tax Changes On Economic Growth

"This paper examines the tradeoffs among three competing goals that are inherent in a revenue-neutral income tax reform - maintaining tax revenues, ensuring a progressive tax system, and lowering marginal tax rates -drawing on the example of the tax policies advanced in presidential candidate Mitt Romney's tax plan. Our major conclusion is that any revenue-neutral individual income tax change that incorporates the features Governor Romney has proposed would provide large tax cuts to high-income households, and increase the tax burdens on middle- and/or lower-income taxpayers."--Abstract.

There is no consensus on how strongly the Tax Cuts and Jobs Act (TCJA) has stimulated U.S. private fixed investment. Some argue that the business tax provisions spurred investment by cutting the cost of capital. Others see the TCJA primarily as a windfall for shareholders. We find that U.S. business investment since 2017 has grown strongly compared to pre-TCJA forecasts and that the overriding factor driving it has been the strength of expected aggregate demand. Investment has, so far, fallen short of predictions based on the postwar relation with tax cuts. Model simulations and firm-level data suggest that much of this weaker response reflects a lower sensitivity of investment to tax policy changes in the current environment of greater corporate market power. Economic policy uncertainty in 2018 played a relatively small role in dampening investment growth.

The tax system profoundly affects countless aspects of private behavior. It is a powerful policy influence on the distribution of income and it is the one aspect of government that almost every citizen cannot avoid. With tax reform high on the political agenda, this book brings together studies of leading tax economists and lawyers to assess the various reform proposals and examine the effects of tax reform in several distinct areas. Together, these studies and comments on them present a balanced evaluation of professional opinion on the issues that will be critical in the tax reform debate. The book addresses annual and lifetime distributional effects, saving, investment, transitional problems, simplification, home ownership and housing prices, charitable groups, international taxation, financial intermediaries and insurance, labor supply, and health insurance. In addition to Henry Aaron and William Gale, the contributors include Alan Auerbach, University of California, Berkeley; David Bradford, Princeton University; Charles Clotfelter, Duke University; Eric Engen, Federal Reserve; Don Fullerton, University of Texas; Jon Gruber, Massachusetts Institute of Technology; Patric Hendershott, Ohio State; David Ling, University of Florida; Ronald Perlman, Covington & Burling; Diane Lim Rogers, Congressional Budget Office; John Karl Scholz, University of Wisconsin; Joel Slemrod, University of Michigan; and Robert Triest, University of California, Davis.

Papers presented at a conference held at the James A. Baker III Institute for Public Policy at Rice University, in Apr. 2006.

Using a long span of expenditure survey data and a new narrative measure of exogenous income tax changes for the United Kingdom, we show that households with mortgage debt exhibit large and persistent consumption responses to tax changes. Home-owners without a mortgage, in contrast, do not appear to react, with responses not statistically different from zero at all horizons. Splitting the sample by age and education yields only limited evidence of heterogeneity as the distributions of these demographics tend to overlap across housing tenure groups. We interpret our findings through the lens of traditional and more recent theories of liquidity constraints, providing a novel interpretation for the aggregate effects of tax changes on the real economy.

This paper examines the macroeconomic effects of tax changes during fiscal consolidations. We build a new narrative dataset of tax changes during fiscal consolidation years, containing detailed information on the expected revenue impact, motivation, and announcement and implementation dates of nearly 2,500 tax measures across 10 OECD countries. We analyze the macroeconomic impact of tax changes, distinguishing between tax rate and tax base changes, and further separating between changes in personal income, corporate income, and value added tax. Our results suggest that base broadening during fiscal consolidations leads to smaller output and employment declines compared to rate hikes, even when distinguishing between tax types.

This volume presents five new studies on taxation and government transfer programs. Alexander Blocker, Laurence Kotlikoff, Stephen Ross, and Sergio Villar Vallenas show how asset pricing can be used to value implicit fiscal debts, which are currently rarely measured or adjusted for risk, while accounting for risk properties. They apply their methodology to study Social Security. Michelle Hanson, Jeffrey Hoopes, and Joel Slemrod examine the effects of the Tax Cuts and Jobs Act on corporation behavior and on firms’ statements about their behavior. They focus on for four outcomes: bonuses, investment, share repurchases, and dividends. Scott Baker, Lorenz Kueng, Leslie McGranahan, and Brian Melzer explore whether “unconventional” fiscal policy in the form of pre-announced consumption tax changes can shift durables purchases intertemporally, how it such shifts are affected by consumer credit. Alan Auerbach discusses “tax equivalences,” disparate sets of policies that have the same economic effects, and also illustrates when these equivalences break down. Jeffrey Liebman and Daniel Ramsey use data from NBER’s TAXSIM model to investigate the equity implications of a switch from joint to independent taxation that could occur in conjunction with adoption of return-free tax filing.

The debates about the what, who, and how of tax policy are at the core of politics, policy, and economics. The Economics of Tax Policy provides a straightforward overview of recent research in the economics of taxation. Tax policies generate considerable debate among the public, policymakers, and scholars. These disputes have grown more heated in the United States as the incomes of the wealthiest 1 percent and the rest of the population continue to diverge. This important volume enhances understanding of the implications of taxation on behavior and social outcomes by having leading scholars evaluate key topics in tax policy. These include how changes to the individual income tax affect long-term economic growth; the challenges of tax administration, compliance, and enforcement; and environmental taxation and its effects on tax revenue, pollution emissions, economic efficiency, and income distribution. Also explored are tax expenditures, which are subsidy programs in the form of tax deductions, exclusions, credits, or favorable rates; how college attendance is influenced by tax credits and deductions for tuition and fees, tax-advantaged college savings plans, and student loan interest deductions; and how tax policy toward low-income families takes a number of forms with different distributional effects. Among the most contentious issues explored are influences of capital gains and estate taxation on the long term concentration of wealth; the interaction of tax policy and retirement savings and how policy can "nudge" improved planning for retirement; and how the reform of corporate and business taxation is central to current tax policy debates in the United States. By providing overviews of recent advances in thinking about how taxes relate to behavior and social goals, The Economics of Tax Policy helps inform the debate.

This exciting new volume provides an up-to-date overview of the current state of taxation in the Latin America and Caribbean (LAC) region, its main reform needs, and possible reform strategies that take into account the likely economic, institutional, and political constraints on the reform process.

This publication informs advocates & others in interested agencies & organizations about supplemental security income (SSI) eligibility requirements & processes. It will assist you in helping people apply for, establish eligibility for, & continue to receive SSI benefits for as long as they remain eligible. This publication can also be used as a training manual & as a reference tool. Discusses those who are blind or disabled, living arrangements, overpayments, the appeals process, application process, eligibility requirements, SSI resources, documents you will need when you apply, work incentives, & much more.

This volume brings together an exciting range of new studies of top incomes in a wide range of countries from around the world. The studies use data from income tax records to cast light on the dramatic changes that have taken place at the top of the income distribution. The results cover 22 countries and have a long time span, going back to 1875.

The mortgage interest deduction, the property tax deduction, the unique treatment of capital gains on owner-occupied homes, and the absence of taxation on imputed rent from owner-occupied homes all influence the effective cost of housing services. They also affect federal income tax revenues and the distribution of income tax liabilities. We draw on household-level data from the 2004 Survey of Consumer Finances to analyze how several potential reforms would affect incentives for housing consumption as well as the distribution of income tax burdens. Our analysis recognizes that changing the mortgage interest deduction would induce changes in household financial behavior. We estimate that repealing the mortgage interest deduction in 2003 would have raised income tax revenues by $72.4 billion in the absence of any portfolio adjustments, but by only $61.9 billion if homeowners responded by drawing down a limited set of financial assets to partially replace their mortgage debt. The revenue effects of changing the property tax deduction similarly depend on how state and local governments alter their mix of revenue instruments in response to federal tax reform. Our results underscore the importance of recognizing behavioral responses when calculating the revenue costs of income tax provisions relating to owner-occupied housing.

The Interesting History of Income Tax William J. Federer "The only things certain are death and taxes" - Benjamin Franklin Yet few know America's interesting history of Income Tax, such as: *1787 - U.S. Constitution prohibited a "direct" Federal tax *1862 - "Revenue Tax" on incomes went into effect to finance the Union during the Civil War *1895 - Supreme Court made Income Tax unconstitutional *Woodrow Wilson thought tariffs on imports caused wars, so he worked to replace them with an Income Tax. *1913 - Income Tax was only a 1% tax on the top 1% richest people in America. *1943 - Paycheck Withholding began as an emergency effort to get funds to finance WWII. John F. Kennedy - "Lower rates of taxation will stimulate economic activity and so raise the levels of personal and corporate income as to yield within a few years an increased flow of revenues to the Federal Government." (Annual Budget Message, Jan. 17, 1963) Thomas Jefferson - "It is an encouragement to proceed as we have begun in substituting economy for taxation" (2nd Annual Message, 1802) (176 pages, includes pictures)

This book discusses wide topics related to current issues in economic growth and development, international trade,

macroeconomic and financial stability, inflation, monetary policy, banking, productivity, agriculture and food security. It is a collection of seventeen research papers selected based on their quality in terms of contemporary topic, newness in the methodology, and themes. All selected papers have followed an empirical approach to address research issues, and are segregated in five parts. Part one covers papers related to fiscal and price stability, monetary policy and economic growth. The second part contains works related to financial integration, capital market volatility and macroeconomic stability. Third part deals with issues related to international trade and economic growth. Part four covers topics related to productivity and firm performance. The final part discusses issues related to agriculture and food security. The book would be of interest to researchers, academicians as a ready reference on current issues in economics and finance.
Policy Analysis in the United States brings together contributions from some of the world's leading scholars and practitioners of public policy analysis including Beryl Radin, David Weimer, Rebecca Maynard, Laurence Lynn, and Guy Peters. This volume represents an indispensable companion to other volumes in the International Library of Policy Analysis series, enabling scholars to compare cross-nationally concepts and practices of public policy analysis in the media, sub-national governments, and many more institutional settings. The volume represents an invaluable contribution to public policy analysis and can be used widely in teaching at both graduate and undergraduate levels in schools of public affairs and public policy as well as in comparative politics and policy.
In this dissertation I ask two basic questions: First, how predictable are personal income tax changes in the U.S. and second, does household consumption respond to news about future tax changes, or does it mostly respond at the time when the tax rates actually change? These are interesting questions because they have broad implications for macroeconomics and public economics. The rational-expectations life-cycle theory of consumption is the workhorse in modern macroeconomics. While there are various specifications of this theory, two predictions are common across them. First, consumption should not respond to predictable income changes and second, consumption should respond to news about future after-tax lifetime income. There is a large literature that tests the first implication of the rational-expectations life-cycle theory and generally rejects the model by finding significant consumption responses to predictable income changes -- that is, it finds that consumption is in fact excessively sensitive to predictable income changes. Very few studies focus on the theory's second main prediction, that household consumption responds to news about after-tax income changes, even if current after-tax income has not changed yet. To the best of my knowledge this dissertation is indeed the first study to use micro-level data to estimate the consumption response to news. I use fiscal policy to study these two questions because it offers two main advantages over other empirical frameworks commonly used by macroeconomists to test the consumption theory and to analyze the effect of news on macroeconomic aggregates. First,

exploiting the fact that there is a lag between the decision to change taxes and the implementation of the tax changes allows me to separate the behavioral response to news from the response to the actual policy changes. Therefore, the response to tax news is not confounded by the response to the actual tax change. Second, actual tax changes are directly observable without measurement issues, which is different from other news shocks that have been recently studied, in particular news about future total factor productivity. Therefore, my measure of news about future taxes can be directly compared with the actual evolution of the tax rates. Regarding public economics, this dissertation addresses another question that is of interest to public policy makers. During the current Great Recession, in which conventional monetary policy is not effective due to the zero lower bound on nominal interest rates, policy makers have shifted attention to fiscal interventions. In order to assess the effectiveness of fiscal policy we have to know the total effect of a tax reform on the economy, i.e. the tax multiplier. Unfortunately, almost all studies that provide estimates of tax multipliers focus on the response of the economy to actual tax changes. These estimates might miss a fraction of the total effect of a tax reform if tax changes are predictable and if the behavior of economic agents is forward-looking. Ignoring anticipation effects can therefore bias the tax multiplier downward. The identification of news about future tax rates is key for answering these questions. In this dissertation I exploit the fact that there exist two classes of fixed-income securities in the U.S. that are very similar except for the tax treatment of their income streams. Interest on municipal bonds is tax-exempt, while interest on Treasury bonds is subject to federal income taxes; thus, relative price changes between municipal and Treasury bonds reflect changes in expected future tax rates, holding fixed other risk factors. I go beyond identification of the timing of news to directly measure the entire path of expected tax rates. The fact that different bonds have different maturities quantifies the degree of tax foresight, since yield spreads of bonds with different maturities reflect information about future taxes over different horizons. Hence, the tax news shocks derived from the bond prices measure not only when households receive information, but also what information they receive. Identifying the entire path of expected tax rates in turn is important for testing the basic rational-expectations life-cycle model of consumption, as the theory predicts that consumption responds one-for-one to changes in expected after-tax lifetime income. The term structure of municipal yield spreads identifies the expected persistence of a tax shock, which is a crucial factor that determines the optimal consumption response according to the theory. For instance, if a tax change is expected to be only transitory, then the theory predicts that consumption does not respond much. On the other hand, if a tax reform is expected to have a large persistent component, then consumption should respond much stronger. Combining these market-based tax expectations with consumption data from the Consumer Expenditure Survey I find that consumption of high-income households increases by close to 1% in response to news of a 1% increase in expected after-tax lifetime income, consistent with the basic rational-expectations life-cycle theory. On the other hand, households who have lower income, less education, or are more credit constrained respond less to news. However, the same households also respond one-for-one with large news shocks, consistent with rational inattention.

"From adjusted gross income to zoning and property taxes, the second edition of The Encyclopedia of Taxation and Tax Policy offers the best and most complete guide to taxes and tax-related issues. More than 150 tax practitioners and administrators, policymakers, and academics have contributed. The result is a unique and authoritative reference that examines virtually all tax instruments used by governments (individual income, corporate income, sales and value-added, property, estate and gift, franchise, poll, and many variants of these taxes), as well as characteristics of a good tax system, budgetary issues, and many current federal, state, local, and international tax policy issues. The new edition has been completely revised, with 40 new topics and 200 articles reflecting six years of legislative changes. Each essay provides the generalist with a quick and reliable introduction to many topics but also gives tax specialists the benefit of other experts' best thinking, in a manner that makes the complex understandable. Reference lists point the reader to additional sources of information for each topic. The first edition of The Encyclopedia of Taxation and Tax Policy was selected as an Outstanding Academic Book of the Year (1999) by Choice magazine."--Publisher's website.

The Economics of Tax PolicyOxford University Press

This paper assesses the macroeconomic and distributional impact of personal income tax (PIT) reforms in the U.S. drawing on a multi-sector heterogenous agents model in which consumers have non-homothetic preferences and sectors differ in terms of their relative labor and skill intensity. The model is calibrated to key characteristics of the US economy. We find that (i) PIT cuts stimulate growth but the supply side effects are never large enough to offset the revenue loss from lower marginal tax rates; (ii) PIT cuts do “trickle-down” the income distribution: tax cuts stimulate demand for non-tradable services which raise the wages and employment prospects of low-skilled workers even if the tax cut is not directly incident on them; (iii) A revenue neutral tax plan that reduces PIT for middle-income groups, raises the consumption tax, and expands the Earned Income Tax Credit can have modestly positive effects on growth while reducing income polarization; (iv) The growth effects from lower income taxes are concentrated in non-tradable service sectors although the increased demand for tradable goods generate positive spillovers to other countries; (v) Tax cuts targeted to higher income groups have a stronger growth impact than tax cuts for middle income households but significantly worsen income polarization, even after taking into account trickle-down effects and an expansion of the Earned Income Tax Credit.

"Debates about the optimal structure for tax policies and tax rates hardly cease among public, policy, or academic audiences. These have only grown more heated in the United States as the gap between incomes of the wealthiest 1 percent and the rest of the population continue to diverge. Tax research perhaps has not fully kept pace with the relentless demand of various interests to

adjust tax policy. Nonetheless, specialists in the economics of tax policy in recent years have profited from advances in economic theory, econometric measurements, and data quality and access that are beginning to allow a greater consensus on what are the real effects of tax policy and how government levies affect individuals and businesses. The volume edited by Professors Auerbach and Smetters represents an attempt to reduce the lag between the conduct of research on tax issues and its transmission to a broader public. The contributions would explore highly topical issues such as the effects of income tax changes on economic growth, the potential effects of capping certain tax expenditures, the economics of adjusted business tax policy, and environmental tax options. Other essays would investigate perennially important themes such as the conduct of tax administration, the growing role of the tax system on education policy, tax policy toward low-income families, capital gains and estate taxation, and tax policy for retirement savings. A final paper would examine three different options for fundamental tax reform"--
Using the post-WWII data of U.S. federal corporate income tax changes, within a Smooth Transition VAR, this paper finds that the output effect of capital income tax cuts is government debt-dependent: it is less expansionary when debt is high than when it is low. To explore the mechanisms that can drive this fiscal state-dependent tax effect, the paper uses a DSGE model with regime-switching fiscal policy and finds that a capital income tax cut is stimulative to the extent that it is unlikely to result in a future fiscal adjustment. As government debt increases to a sufficiently high level, the probability of future fiscal adjustments starts rising, and the expansionary effects of a capital income tax cut can diminish substantially, whether the expected adjustments are through a policy reversal or a consumption tax increase. Also, a capital income tax cut need not always have large revenue feedback effects as suggested in the literature.
The story of men who are hurting—and hurting America by their absence Man Out describes the millions of men on the sidelines of life in the United States. Many of them have been pushed out of the mainstream because of an economy and society where the odds are stacked against them; others have chosen to be on the outskirts of twenty-first-century America. These men are disconnected from work, personal relationships, family and children, and civic and community life. They may be angry at government, employers, women, and "the system" in general—and millions of them have done time in prison and have cast aside many social norms. Sadly, too many of these men are unsure what it means to be a man in contemporary society. Wives or partners reject them; children are estranged from them; and family, friends, and neighbors are embarrassed by them. Many have disappeared into a netherworld of drugs, alcohol, poor health, loneliness, misogyny, economic insecurity, online gaming, pornography, other off-the-grid corners of the internet, and a fantasy world of starting their own business or even writing the Great American novel. Most of the men described in this book are poorly educated, with low incomes and often with very few prospects for rewarding employment. They are also disproportionately found among millennials, those over 50, and African American men. Increasingly, however, these lost men are discovered even in tony suburbs and throughout the nation. It is a myth that men on the outer corners of society are only lower-middle-class white men dislocated by technology and globalization. Unlike those who primarily blame an unjust economy, government policies, or a culture sanctioning "laziness," Man Out explores the complex

interplay between economics and culture. It rejects the politically charged dichotomy of seeing such men as either victims or culprits. These men are hurting, and in turn they are hurting families and hurting America. It is essential to address their problems. Man Out draws on a wide range of data and existing research as well as interviews with several hundred men, women, and a wide variety of economists and other social scientists, social service providers and physicians, and with employers, through a national online survey and in-depth fieldwork in several communities.

We estimate the elasticity of charitable giving with respect to its price and after-tax income using a panel of over 550,000 disproportionately high-income tax returns spanning the years 1979 through 2005. Improvements relative to the previous literature include: using state tax variation to help identify our model while controlling for both individual- and time-specific unobserved heterogeneity; carefully dealing with expectations; allowing people at different income levels to have different degrees responsiveness to taxation and different time paths of unobservable influences on giving; and using a measure of charitable giving that more closely approximates current donations. To address the omitted variable bias that would otherwise arise from failing to control for unobservable expectations of future prices and future incomes, we use predictable changes in future federal and state marginal tax rates and tax liabilities, arising from their pre-announced and phased-in nature, as instruments for future changes in prices and income. Our estimate of the elasticity of giving with respect to a persistent price change for the full sample is about -0.7; this elasticity is generally larger when the sample is limited to high-income people and we control for time-varying unobservable influences on charity in a flexible fashion. We find some evidence, particularly among very high-income people, of re-timing giving in response to expected future changes in price, but this finding is sensitive to the source of identification for the price effects. Our estimates are broadly consistent the permanent income hypothesis. Expenditures on charitable giving are estimated to respond more strongly to persistent changes in income than to transitory fluctuations in income. Moreover, we find evidence in some specifications that people will increase their charitable giving now in response to a predictable reduction in future tax liability arising from tax reform.

This is one of the accompanying documents to the 2012 Budget (ISBN 9790102976045) and examines the impact to the Exchequer of the 50% additional rate of income tax, introduced on 6 April 2010. The report seeks to provide the first comprehensive ex-post assessment of the additional rate yield using a range of evidence including 2010-11 Self Assessment returns. Analysis shows that there was a considerable behavioural response to the income tax rate change, including a substantial amount of forestalling, with an estimated £16 to £18 billion of income brought forward to the 2009-10 to avoid the tax increase. The net result of such actions is that the underlying yield from the additional rate was much lower that forecast. The report also describes how the impact of introducing the additional rate may extend well beyond the Exchequer, with the view that higher tax rates make the tax system less competitive and therefore less attractive to establish a business.The publication is divided into six chapters with three annexes.

On October 24 and 25, 1980, the Center for the Study of American Business at Washington University and the Federal Reserve

Bank of St. Louis cosponsored their fifth annual conference, "The Supply-Side Effects of Economic Policy." This volume contains the papers and comments delivered at that conference. Proponents of "supply-side economics" have challenged the policy recommendations that emerge from "Keynesian" macroeconometric models. These models focus on the effects of economic policy on the demand for output. Supply-side economics, in contrast, emphasizes the response of output to changes in the supply of inputs. Decisions affecting the capital stock and employment-in particular, saving and investment decisions and labor force participation and hours decisions-are the focus of the supply-siders' attention. The 1980 conference examined most of the major themes associated with supply-side economics. The papers in Part I of this volume develop the theory underlying various supply-side propositions and present empirical evidence in support of some of these propositions. In Part II, the effect of taxes on capital formation and the effect of increased capital formation on output growth and inflation are examined. The effect of tax and transfer programs on labor supply, employment and unemployment are examined in Part III. The final section contains the special luncheon and dinner presentations.

This paper uses a panel of individual tax returns and the `bracket creep' as source of tax rate variation to construct instrumental variables estimates of the sensitivity of income to changes in tax rates. From 1979 to 1981, the US income tax schedule was fixed in nominal terms while inflation was high (around 10%). This produced a real change in tax rate schedules. Taxpayers near the top-end of a tax bracket were more likely to creep to a higher bracket and thus experience a rise in marginal rates the following year than the other taxpayers. Compensated elasticities can be estimated by comparing the differences in changes in income between taxpayers close to the top-end of a tax bracket to the other taxpayers. These estimates, based on comparisons between very similar groups, are robust to underlying changes in the income distribution, such as a rise in inequality. The elasticities found are higher than those derived in labor supply studies but smaller than those found previously with the same kind of tax returns data.

Tax reductions enacted in 2001-2004 reduce the effective tax rate on capital income in several different ways. Taxes on capital arise from individual taxes on dividends, interest, capital gains, and income from non-corporate businesses (proprietorships and partnerships). Reductions in marginal tax rates, as well as some tax benefits for business, reduce these taxes. Taxes on capital income also arise from corporate profits taxes, which are affected not only by rate reductions but also by changes to provisions affecting depreciation, interest deductions, other deductions and credits. Finally, taxes can be imposed on capital income through the estate and gift tax. Tax cuts on capital income through capital gains rate reductions, estate and gift tax reductions, and dividend relief are estimated to cost about $57 billion per year, with about half that amount attributable to the estate and gift tax. Lower ordinary tax rates also affect income from unincorporated businesses. These tax cuts are temporary and proposals to make some or all of them permanent are expected. Bonus depreciation appears less likely to be extended. While there are many factors used to evaluate the effects of these tax revisions, one of them is the distributional effect. This report addresses those distributional issues, in the context of behavioral responses. Data suggest that taxes on capital income tend to fall more heavily on high-income individuals. All types of capital income are concentrated in higher-income classes. For example, the top 2.8% of tax returns (with adjusted gross income over $200,000 in 2009) have 26% of income, 19% of wages, 39% of interest, 39% of dividends, and 57% of capital gains. Taking into account a very broad range of capital assets, a 2012 Treasury study found that the top 1% of the population has about 19% of total income and about 12% of labor income, but receives almost half of total capital income. Estate and gift taxes are especially concentrated in the higher incomes: prior to the tax cuts enacted in 2001-2004, only 2% of estates paid the estate tax at all. If there is a significant reduction in savings in response to capital income taxes, in the long run the tax could be shifted to labor and thus become a regressive tax. Some growth models are consistent with such a view, but generally theory suggests that increases in taxes on capital income could either decrease or increase savings, depending on a variety of model assumptions and particularly depending on the disposition of the revenues. There are also many reasons to be skeptical of these models, which presume a great deal of skill and sophistication on the part of individuals. New models of bounded rationality suggest that taxes on capital income are likely to have no effect or decrease saving, as individuals rely on common rules of thumb such as saving a fixed fraction of income and saving for a target. Empirical evidence in general does not suggest significant savings responses, as savings rates and pre-tax returns to capital have been relatively constant over long periods of time despite significant changes in tax rate. If capital income taxes do not reduce saving, these taxes fall on capital income and add to the progressivity of the income tax system.