Wilf Csaplar Jr.   Economics 162   Homework #4   **Due Thursday 3/1**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Use the tax table to the right to figure out the person's marginal tax rate, total taxes paid, and average tax rate if they earned $100,000. Show all work. If there is no work, then state how you got the number.

Income Bracket	Tax Rate
$\leq$ $20,000	10%
$20,000 < income $\leq$ $50,000	15%
$50,000 < income $\leq$ $90,000	20%
$90,000 < income $\leq$ $140,000	30%
income > $140,000	40%

2A) (10 points) What is the problem facing Social Security? What are the two trends which mean the problem will get worse for at least two decades?
B) (20 points) One proposal to solving the Social Security problem is to raise the retirement age. How would that reduce the problem? Explain your logic. Would you include this as part of a plan to solve the problem? Explain your logic.
C) (20 points) One proposal to solving the Social Security problem is to eliminate the Social Security Cap. How would that reduce the problem? Explain your logic. Would you include this as part of a plan to solve the problem? Explain your logic.

3) (15 points) What is the economic reason why raising any tax rate, could in theory reduce the tax revenue? Explain your logic. Provide a numerical example. (Note, the Laffer Curve is not a numerical example, but it may give you an idea for the numbers to use.)

4) (15 points) What is meant by a regressive tax? Explain why I feel that most sales taxes are regressive.