

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. 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) (15 points) Use the table to the right to calculate the total taxes paid, marginal tax rate, and average tax rate for somebody earning \$100,000/year. (I wish I made that much.) Show all work and briefly explain what you did.

Income	Rate
\$0 - \$40K	10%
\$40K - \$90K	20%
\$90K - \$150K	30%
>\$150K	40%

2) (15 points) Explain how increasing a tax could yield less tax revenue. Use a numerical example in your explanation.

3) (20 points) Use the supply and demand for soft drinks to show the effect of the proposed tax on such drinks. Explain why the curve(s) moved as drawn. **As drawn**, who pays most of the tax? How can you tell?

4A) (10 points) What is the problem facing Social Security?

4B) (20 points) How would raising the Social Security tax rate reduce the problem? Would you use that method to solve the problem. Why or why not?

4C) (20 points) How would raising the retirement age reduce the problem? Would you use that method to solve the problem. Why or why not?