Comparison of Different TEB Tools

- **Efficiency and Tax Incentives: The Case for Refundable Tax Credits**
  Stanford Law Review, 2006

  Summary: This paper discusses refundable credits, their efficiency, pros and cons of expanding refundable credits, evaluating controversial arguments about them. It concludes that refundable credits are an entirely appropriate way to structure tax incentives. Uniform refundable credits are the most efficient default structure for a tax incentive intended to correct for positive externalities when evidence of externalities and elasticities associated with the desired behavior is not clear. The efficiency benefits of refundable credits are magnified by their ability to smooth household earnings and bolster the role of the tax system as an automatic stabilizer of macroeconomic consumption. There are, however, clearly limits on the extent and type of refundable credits that should be adopted, because of the possibility that if refundable tax credits were expanded to an unprecedented degree, then no one would pay taxes. The United States spends almost 4% of GDP each year subsidizing socially valued activities through the tax code in incentive forms that have little justification. In this situation, the authors argue that restructuring such incentives to uniform refundable credits would dramatically improve the effectiveness and fairness of this substantial investment.

- **A Re-Examination of the Effects of Personal Deductions, Tax Credits and the Tax Rate Schedule on Income Tax Progressivity and Income Inequality**
  The Journal of American Taxation Association, 1999

  Summary: This study finds that all of standard deduction, exemptions, and tax rate schedule contribute to progressivity, and the tax rate schedule among them plays a much more important role. In addition, tax credits (for example, the earned income credit) play a much larger role in overall tax system progressivity. Itemized deductions reduce overall progressivity. Among them, housing costs, and state and local income tax deductions play the largest role. This finding is more clearly revealed by filing status.

- **Tax Deductions and Credits, Direct Subsidies, and Efficiency in Public Expenditure**
  Public Choice, 1986

  Summary: This paper develops a simple model, intended to test the relative efficiency of Deductions, Credits, and Direct Subsidies. They conclude that Deductions are efficient, but Credits are not. They assert that this is due to Credits not directly impacting the marginal spending decisions, which renders them less efficient. Direct Subsidies are as efficient as Deductions, but puts more of a burden on private choice.

- **The Changing Composition of Tax Incentives 1980-99**
  Urban Institute, 1999

  Summary: This paper is a study of the shift in TEs during the 20 years between 1980 and 1999. They discuss the expanding use of tax breaks, rather than spending appropriations, to promote policy objectives. Report divides TEs between "business investment" (job promoting) and "social policy". Report does not discuss role of credits vs. deductions, etc. The Appendix has interesting graphs and a table ranking expenditures as a % of GDP (Retirement savings and Health insurance deduction top the list).

- **Deductions vs. Credits: a Comment**
  National Tax Journal, 1973

  Summary: This paper revisits the conclusion reached in the paper "The Tax Allowance for Dependents: Deductions versus Credits" that deduction for each dependent is superior to any alternative. It argues that in reaching this conclusion, the authors' statement of the case for tax credits (rather than deductions) is not as strong as it might be. It is possible that credit is superior to deduction on grounds of equity and population policy.

- **The Tax Allowance for Dependents: Deductions versus Credits**
  National Tax Journal, 1973

  Summary: This paper compares several tax allowances for dependents, concluding that deduction for dependents under the income tax is superior to any alternative on grounds of equity and population policy. The paper argues against a large refundable tax credit for all dependents.