Episode 29 – Taxes and Inflation

This document provides resources for educators looking for ways to incorporate current events into their curriculum. Each podcast episode is approximately 20 minutes long and available on all major podcast outlets for free. This document provides opportunities for either short-answer/essay-style questions or discussion questions to delve further into topics. Email taxnerds@gmail.com for an answer key.

In this episode, we explain the relation between taxes and inflation.

Concepts covered

- Inflation-adjusting tax provisions
- How tax policies can affect inflation

Multiple choice and True/False questions

1. According to the podcast, which of the following factors can contribute to inflation? Select all that apply.
    a. Workers demand for higher wages
    b. Increased costs of producing goods and offering services
    c. Increased demand for goods and services
    d. Increased business innovation

2. True or False: Low rates of inflation are a sign of a strong economy
    a. True
    b. False

3. According to the podcast, what is a desirable rate of inflation according to economists?
    a. 2%
    b. 4.1%
    c. 9.1%
    d. 10%

4. What is “taxflation”?
    a. Increase in tax statutory tax rates over time
    b. Using tax policy to combat inflation
    c. Increases in government spending due to larger tax collections
    d. Increases in individuals’ annual tax liabilities solely because of inflation

5. Which of the following is the term used to characterize increases in tax rates or other elements of the tax code to adjust for the effects of inflation?

   a. Taxflation
   b. Indexing
   c. Inflating
   d. Targeting

6. Which of the following policies is indexed for inflation annually?
   a. The standard deduction
   b. The state and local tax deduction (SALT)
   c. The net investment income tax
   d. Capital gains

7. According to Howard Gleckman, which of the following would characterize a tax increase to target inflation? Select all that apply.
   a. It would target large corporations
   b. It would be enacted quickly during a time of high inflation
   c. It would target low- and middle-income households
   d. It would index state sales and property tax rates for inflation

8. According to research from the San Francisco Fed, US government support payments may have incrementally affected US inflation relative to other countries in what way?
   a. Reduced US inflation by about 3% relative to other countries
   b. Reduced US inflation by about 6% relative to other countries
   c. Increased US inflation by about 3% relative to other countries
   d. Increased US inflation by about 9% relative to other countries

9. Sen. Bernie Sanders introduced the Ending Corporate Greed Act in April 2022. Which of the following best characterizes the Act?
   a. It raises the corporate tax rate to 35%
   b. It would permanently increase the corporate tax rate to 75% on excess profits
   c. It would temporarily impose a 95% tax on corporate profits in excess of average profits from 2015-2019
   d. It would impose a 75% tax on corporate executives' compensation in excess of $1B

10. True or False: A corporate tax hike that reduces the supply of goods in the market would likely reduce inflation.
    a. True
    b. False

Short answer/discussion

1. In your own words, explain how the pandemic itself along with government pandemic relief contributed to high rates of inflation.
2. Using your own words and a numerical example, explain the concept of "taxflation".