

TAX DILEMMA

1. The state of Connecticut needs to raise revenue for several new school construction projects. The State representatives have many options available to choose. Analyze the following options using elasticity, efficiency loss and total revenue tax collection. The state legislature narrowed their decision between these two options:
 - a. Sales tax
 - b. Cigarette tax

2. The state of New York needs more revenue to cover their deficit spending this year. They decided to tax cereal and was surprised that the amount of revenue collected was limited. You have been brought in as a consultant in this matter. Explain the reason for this outcome using elasticity, efficiency loss and total revenue tax collection. Use a correctly labeled graph to assist your explanation.