



# How Tax Cuts Stimulate the Economy

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# Two positions



reducing taxes  
improves the  
economy by  
boosting spending



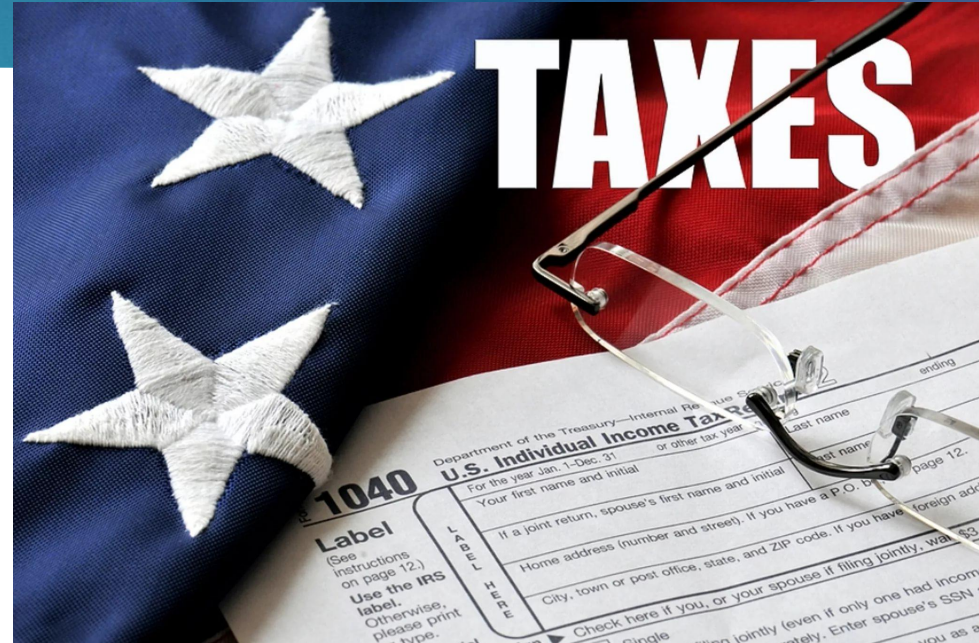
tax cuts only  
help the rich

The federal tax system  
relies on a number of  
different types of  
taxes



The largest sources of  
funds is the individual  
income tax and profit  
tax

The significant positive  
impact on economy  
have individual  
income tax cut



# Income Tax Cuts

boost demand by putting more money into consumers' pockets

creates jobs because businesses start to ramp up production to meet higher demand.

But across-the-board income tax cuts aren't very cost effective. They create 4 jobs





# Tax cuts for the middle class and poor

Lower income families are more likely to spend the tax cuts.

providing tax credits for the households with low and middle incomes created 7 jobs for every \$1 million in lost tax revenue.

They pump the money directly into local shops, who hire more workers to meet the increased demand.



# Tax cuts for the rich

Higher-income families are more likely to save their tax cut than spend it

Its tax cut create 4 jobs for every \$1 million in cuts.



# Real example

- ▶ **Real example is The Bush tax cuts to stop the 2001 recession. These tax cuts boosted the economy in the short-term. The percentage of government revenue to GDP decreased, the total revenues increased because GDP increased.**

# Questions:

- ▶ 1. What positions are regarding a tax cut?
- ▶ 2. What tax cut have significant positive impact on economy ?
- ▶ 3. What influence have tax cuts for the middle class and poor?