

Jonathan Gruber

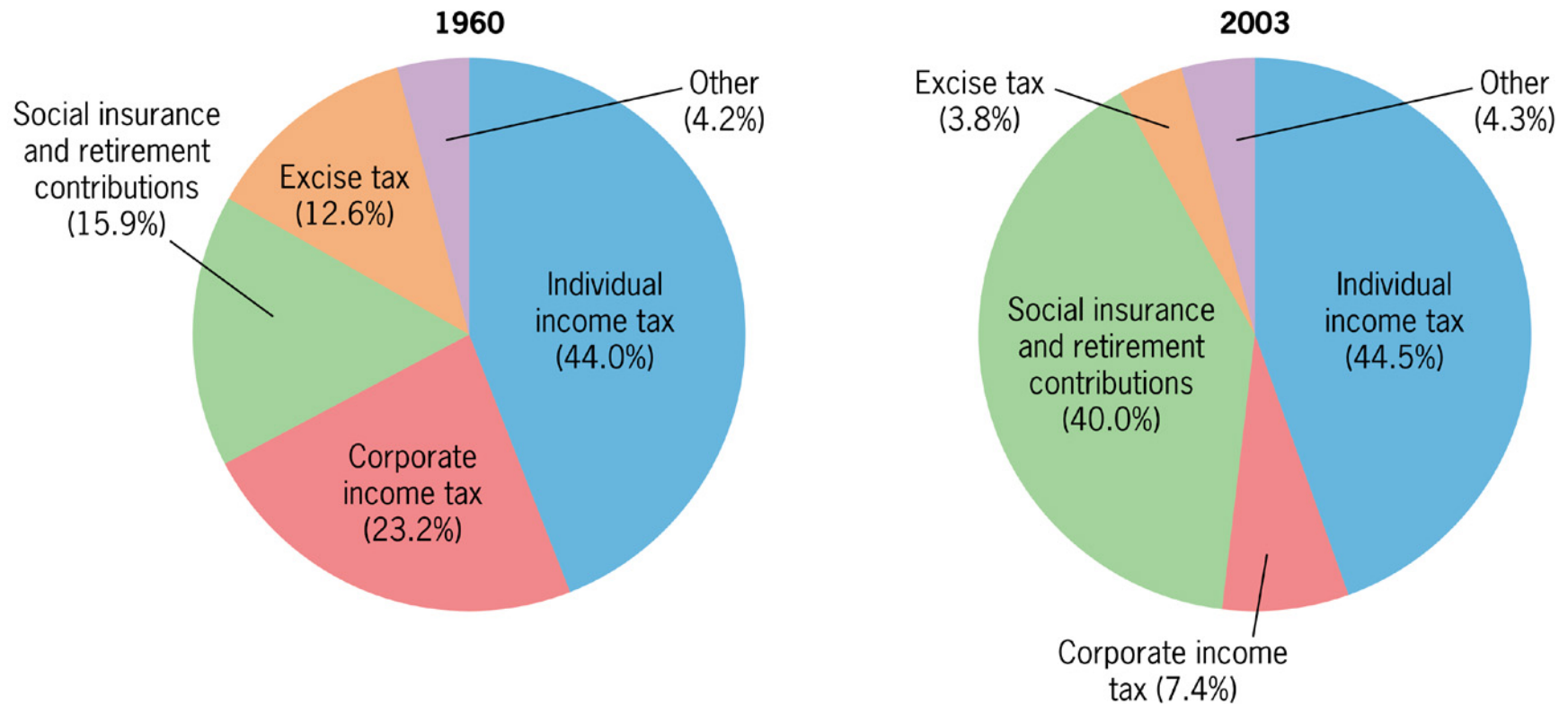
# **Public Finance and Public Policy**

**First Edition**

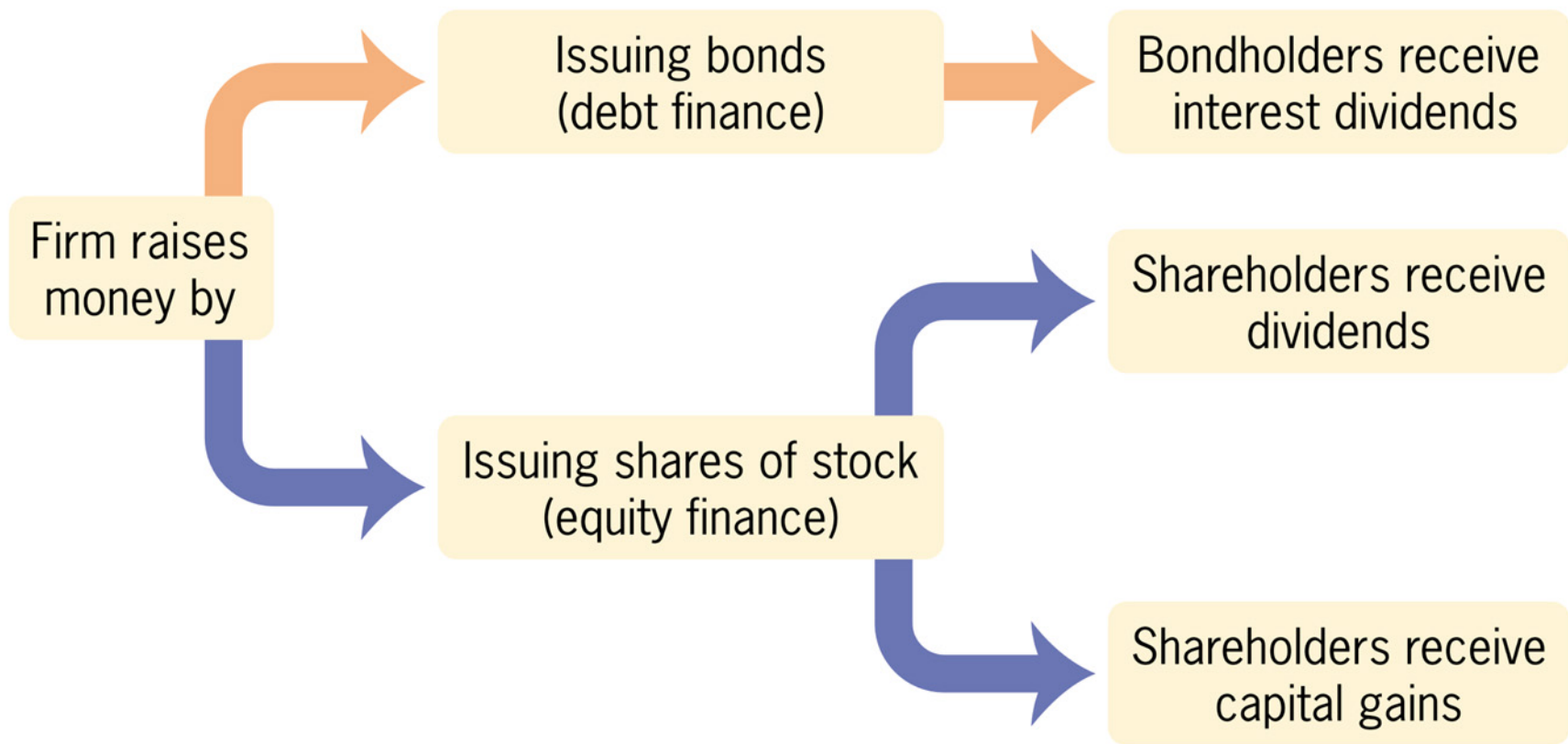
## **Chapter 24:** Corporate Taxation

Copyright © 2005 by Worth Publishers

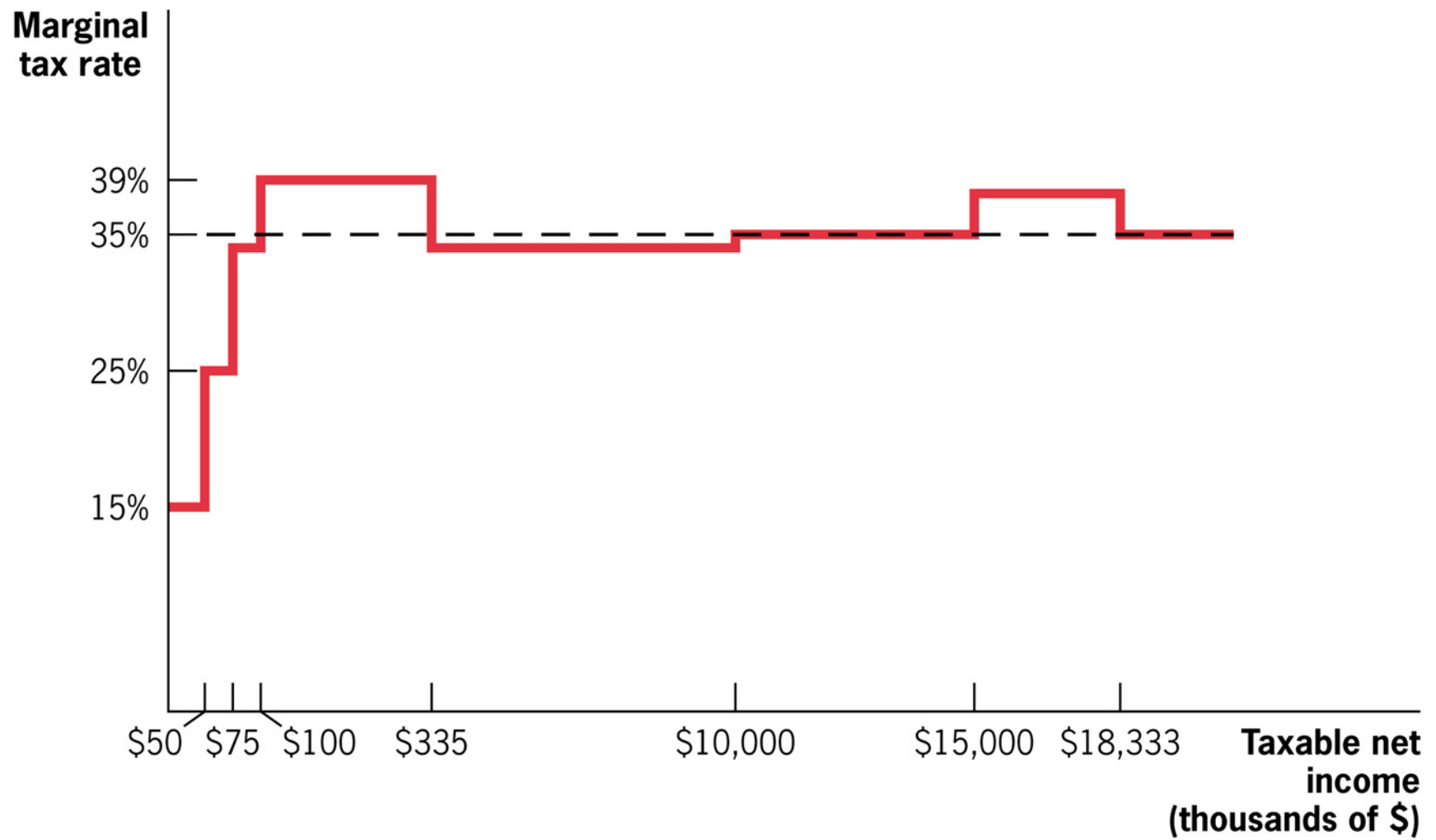
**Federal government receipts by source (% of total receipts)**



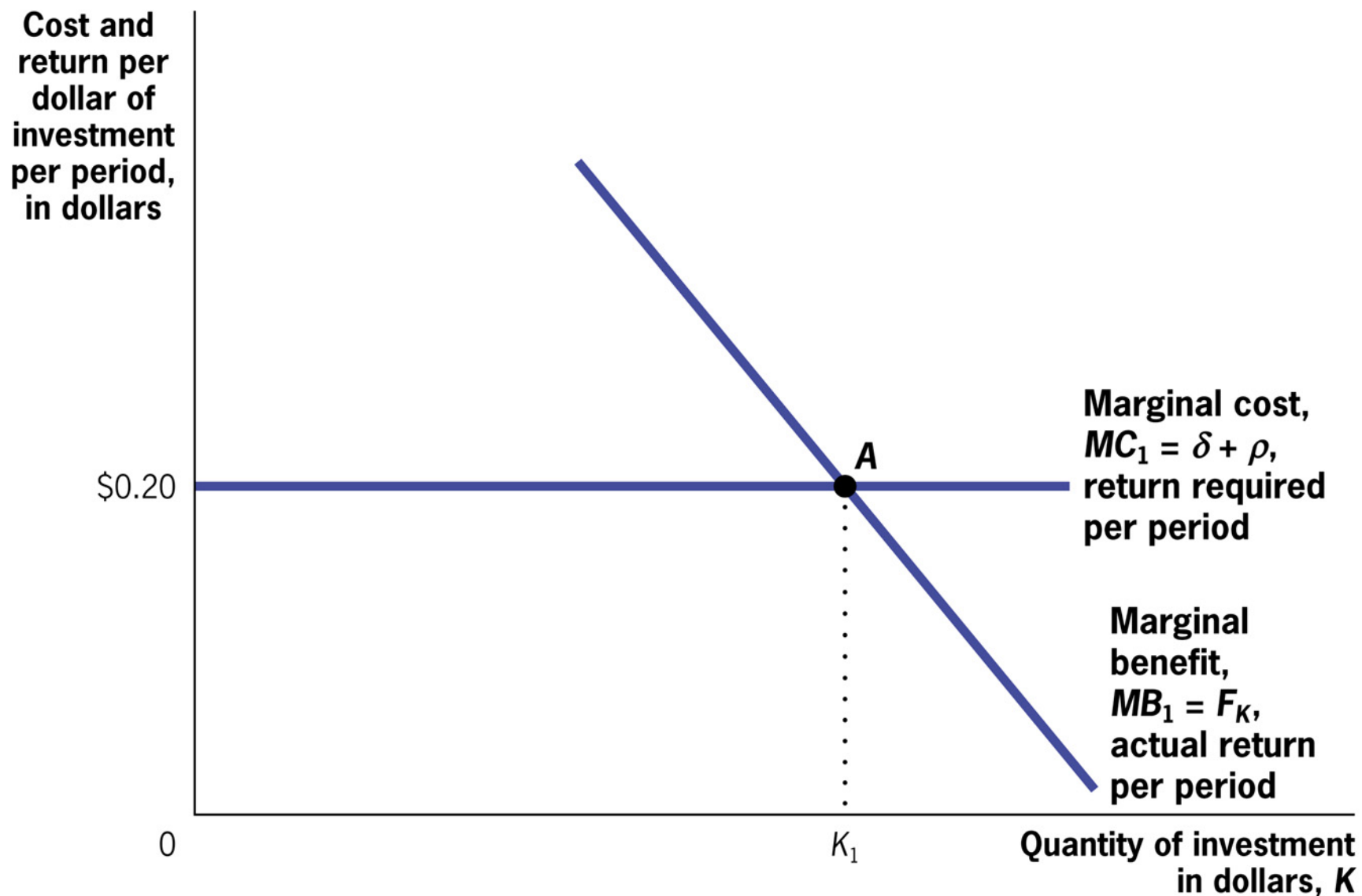
**Figure 24.1** The Shrinking Corporate Tax Pie  
Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers



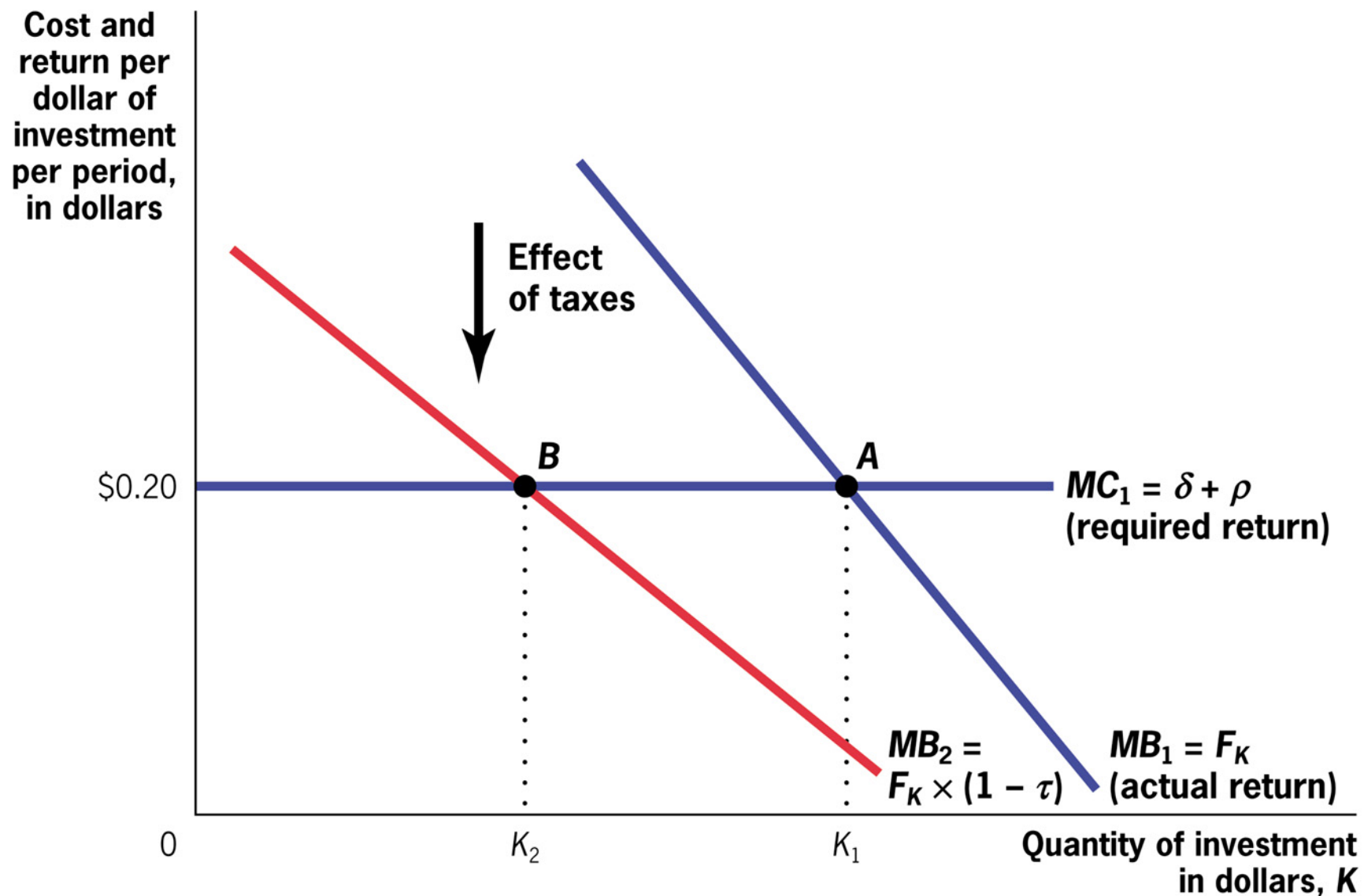
**Figure 24.2** Sources of Corporate Finance  
Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers



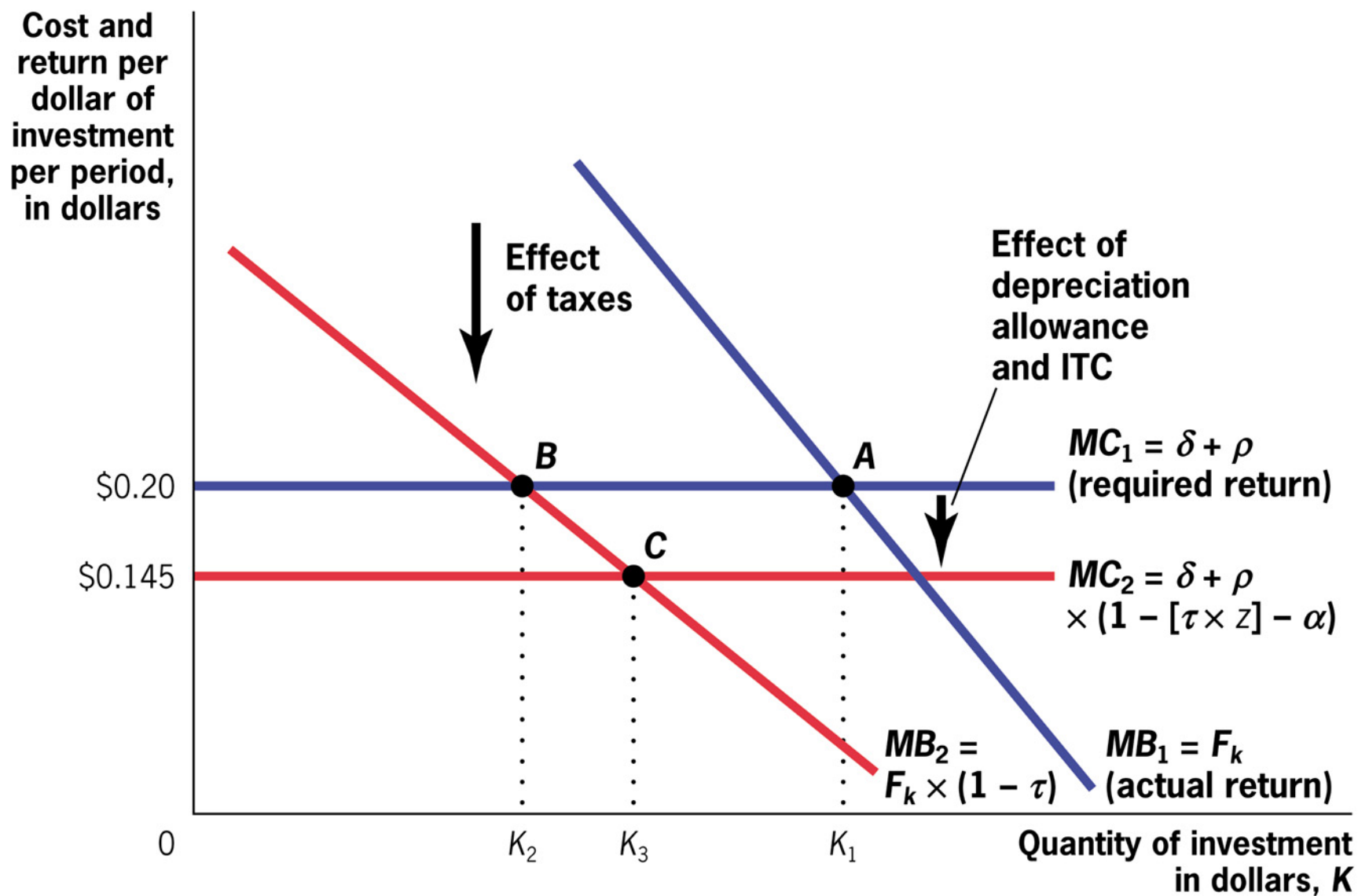
**Figure 24.3** The Corporate Tax Rate Schedule  
Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers



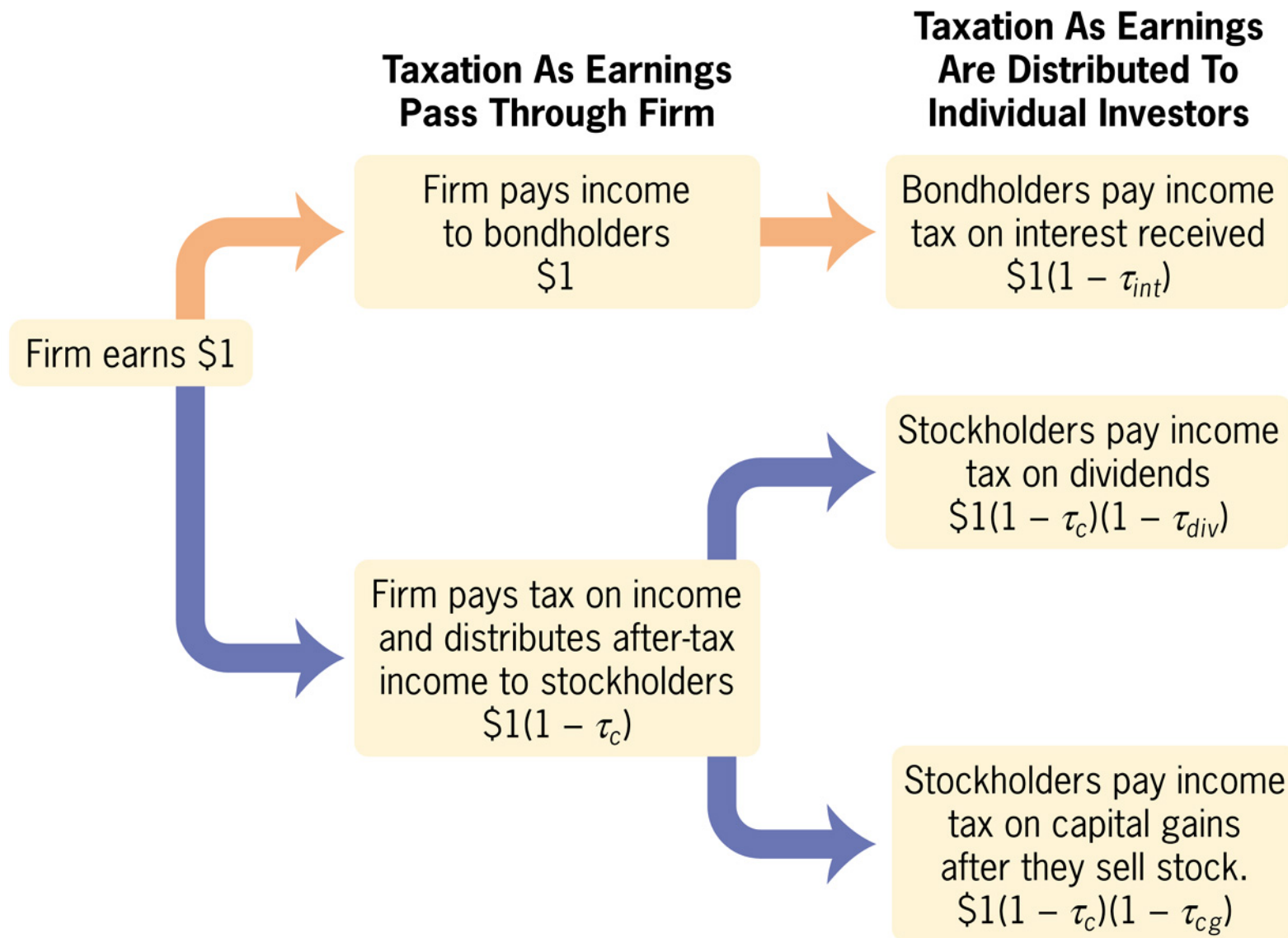
**Figure 24.4** Investment Decisions with No Corporate Tax  
Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers



**Figure 24.5** Investment Decision with a Tax on Corporate Income  
 Gruber: Public Finance and Public Policy, First Edition  
 Copyright © 2005 by Worth Publishers



**Figure 24.6** Investment Decisions with Depreciation and the ITC  
 Gruber: Public Finance and Public Policy, First Edition  
 Copyright © 2005 by Worth Publishers



**Figure 24.7** The Firm's Financing Decision  
Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers



■ TABLE 24-1

**The Debt vs. Equity Conflict**

	Share of financing	Possible gain from investment	Possible loss from investment	Expected return from investment	Should the firm take the risk?
Equity holders	\$1 million	\$3 million	\$2 million	\$0.5 million	Yes
Debt holders	\$5 million	0	\$10 million	-\$5 million	No
Equity holders	\$5 million	\$3 million	\$10 million	-\$3.5 million	No
Debt holders	\$1 million	0	\$2 million	-\$1 million	No

**Table 24.1**

Gruber: Public Finance and Public Policy, First Edition  
Copyright © 2005 by Worth Publishers