**Problem Set: Corporate Tax Base versus Rates**

**Optimal policy**

Please calibrate and extend the model in Hines (2017) to quantify the effects of broadening the tax base (e.g., by removing DPAD) and changing the tax rate.

Please use your calibrated model to characterize the revenue maximizing base and rates ( i.e., alpha\*, tau\*, and k\*) in the Hines (2017 equation 1) setup.

**Relevant Literature:**

Hines, Jim, 2017, “[Business Tax Burdens and Tax Reform](https://www.brookings.edu/wp-content/uploads/2018/02/hinestextfa17bpea.pdf),” *Brookings Papers on Economic Activity.*

Barro, Robert and Jason Furman, 2018, “The macroeconomic effects of the 2017 tax reform,” *Brookings Papers on Economic Activity.* <https://www.brookings.edu/wp-content/uploads/2018/03/4_barrofurman.pdf>