

[IZA News](#)[About IZA](#)[Organization Chart](#)[People](#)[Research](#)[Labor Policy](#)[Publications](#)[Discussion Papers](#)[Policy Papers](#)[Standpunkte](#)[Books](#)[Research Reports](#)[IZA Compact](#)[IZA in the Press](#)[Publication Record](#)[Journals](#)[Events](#)[IZA Prize / YLE Award](#)[Teaching](#)[Links / Resources](#)[Press](#)

IZA



Optimal Piecewise Linear Income Taxation

by Patricia Apps, Ngo Van Long, Ray Rees
(October 2011)

forthcoming in: Journal of Public Economic Theory

Abstract:

Given its significance in practice, piecewise linear taxation has received relatively little attention in the literature. This paper offers a simple and transparent analysis of its main characteristics. We fully characterize optimal tax parameters for the cases in which budget sets are convex and nonconvex respectively. A numerical analysis of a discrete version of the model shows the circumstances under which each of these cases will hold as a global optimum. We find that, given plausible parameter values and wage distributions, the globally optimal tax system is convex, and marginal rate progressivity increases with rising inequality.

Text: See [Discussion Paper No. 6007](#)



[Back](#)