

Taxing behavior

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Generally, people think of taxes as money that governments charge citizens in order to facilitate infrastructure. However, in many cases, governments also use the tax system to modify behavior by using the power of the purse.

Behavior is undoubtedly affected by the tax code. For example, when Congress increases the expense deduction for businesses, it encourages businesses to spend money through equipment purchases or other qualifying expenditures. When they allow for charitable deductions, it encourages giving to qualified organizations.

Oklahoma also offers a variety of tax incentives, including the Quality Jobs Program and the Oklahoma Film Act, which offer credits and rebates to make Oklahoma more attractive to those deciding where to do business.

On the flip side, behavior can also be discouraged by the tax code. Some excise taxes are imposed on items deemed unhealthy, commonly referred to as sin taxes. For example, Oklahoma levies an additional tax on tobacco products, including cigarettes. The intent is to discourage tobacco use with the implication of having an overall effect on health care. Additionally, according to Bloomberg, Oklahoma sin tax revenue has risen about 200 percent in the past decade.

Some argue that sin taxes are regressive, or that they have a disproportionately higher burden on the poor because they spend a larger share of their income on consumption. However, in the case of luxury taxes, or taxes on products or services that are deemed to be unnecessary or nonessential, it can be difficult to make the argument regressive taxes affect only lower tax brackets.

There are some rather notorious examples of efforts to influence behavior, including a poorly conceived idea in Dallas to place a 5-cent fee on disposable plastic grocery store bags. The tax passed, only to be repealed six months later. And who can forget New York City's failed effort to ban sugary drinks from being sold in containers larger than 16 ounces? Although their efforts failed, the city of Berkeley, California, was able to pass a 1-cent-per-ounce tax on soft drinks.

The next time you are making a purchase, it may be an interesting exercise to ask yourself how much of an influence taxes have on your decision.