**Which Item to Tax?**

Scenario: Your local community has decided to offer greater financial support to your school by applying a 10% tax to a good or service sold in the community. Tax revenues will then be given to the school. Assume that even online purchases can be tracked to the location where ordered and the tax would be applied to online orders placed while in the community. Your team, given your background in economics and involvement in the school as students, has been selected to identify the good or service best suited for this task from a list of preliminary approved items. The choice made by your team should have the best chance of maximizing revenue generation for the school.

Three concepts from your principles of economics course will help you with this analysis: elasticity, the supply and demand model, and tax incidence. Your team will analyze the items in two stages utilizing these concepts to help make their best taxation choice.

The first stage of analysis for your team is to analyze and rank the tax-considered items in terms of price elasticity of demand, by first identifying the most elastic item and least elastic item, then determining the rank of the remaining items in between. Be ready to defend your choice of ranking through use and analysis of elasticity determinants.

List the below items in order of most elastic to least elastic:

Salt

Marijuana

Soft drinks

Music subscriptions

Cigarettes

#1 most elastic =

#2 =

#3 =

#4 =

#5 least elastic =

Stage two of your analysis begins once you have ranked your items according to elasticity. In this stage, apply a supply and demand graph analysis of tax incidence to the two items identified as "most elastic" and "least elastic" in stage one. Note: reviewing class instructional materials on the supply and demand model and the steps for analyzing tax incidence using supply and demand is recommended.

Use your understanding of tax incidence and graph analysis to consider which of the two items is most likely to meet the goal of maximum taxation revenue for the school. Once analyzed, state the product or service recommended for taxation.

Product or service recommended for taxation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Your rankings and choice showcase your understanding and ability to utilize the determinants of price elasticity of demand, tax incidence, and the supply and demand model. Be ready to explain your reasoning based on these economic concepts.