Who Really Pays a Tax

Economics

The difference between who remits a tax and who bears it.

The more inelastic side of the market bears the larger share of a tax.

Burden share rises as elasticity falls

Inelastic demand — **Consumers bear most**
Cigarettes, fuel.

Inelastic supply — **Producers bear most**
Land.

Payroll tax — **Largely borne by workers**
Regardless of who remits.

THE COMMON MISTAKE

× **Assuming the legal payer bears the cost**

✓ **Incidence depends on elasticity**

Employers remit payroll taxes, but the evidence indicates most of the burden shows up as lower wages.

> A land value tax is favoured by many economists precisely because supply is fixed, so it cannot be passed on.