**Income Taxes and Schedules Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

The income tax that you pay is not a *flat tax* but a *graduated tax* based on your income level. The six tax brackets (forsingle taxpayers) are summarized in the table below.

## SIMPLIFIED TAX SCHEDULE

|  |  |
| --- | --- |
| **If your taxable income is** | **Your federal income tax bracket is** |
| $0 ≤ x < $7,550 | 10 % |
| $ 7,550 ≤ x < $ 30,650 | 15 % |
| $ 30,650 ≤ x <$ 74,200 | 25 % |
| $ 74,200 ≤ x <$154,800 | 28 % |
| $154,800 ≤ x <$336,550 | 33 % |
| $336,550 ≤ x | 35 % |

Calculate thefederal income tax if your taxable income was:

(show your work)

1. $5,000

1. $21,150

1. $63,940

1. $120,000

1. $300,000

1. $450,000

1. Compare the tax paid by someone who earns $74,199 to that paid by someone who earns $74,200.

1. Sketch the graph of Tax Paid vs. Taxable Income for the first two income brackets. Complete the table and plot the points to form the graph.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | Taxable Income | Tax | | $0 |  | | $ 3,000 |  | | $ 6,000 |  | | $ 7,549 |  | | $ 7,550 |  | | $ 9,000 |  | | $ 12,000 |  | | $ 15,000 |  | | $ 18,000 |  | | $ 21,000 |  | | $ 24,000 |  | | $ 30,649 |  | | $ 30,650 |  | | **Tax Paid** | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | **Taxable Income** | | | | | | | | | | | | | | | | |

1. Use the results from #7 and #8 to explain why this tax plan is open to criticism and debate.

## ACTUAL TAX SCHEDULE

|  |  |  |
| --- | --- | --- |
|  | **Income in the tax bracket** | **Tax paid on that income** |
| Income over $336,550 |  |  |
| Income between  $154,800 and $336,550 |  |  |
| Income between  $74,200 and $154,800 |  |  |
| Income between  $30,650 and $74,200 |  |  |
| Income between  $7,550 and $30,650 |  |  |
| Income between $0 and $7,550 |  |  |
|  | **Total Tax Paid:** |  |
|  |  |  |

1. Calculate the amount we pay in taxes for our current income levels. To do this you must divide your income into the different tax brackets. Suppose you earn $20,000. Then your income falls into the second tax bracket (l5 percent). You pay 15 percent on the amount of your income that is over $7,550. You pay 10 percent on the first $7,550 of your income.

Calculate the percentage of your income that is paid in taxes.

Explain why this percentage is not exactly 10 percent and not exactly 15 percent.

1. Calculate the actual tax paid by someone who earns $50,000.

1. When a person pays taxes on the $450,000 that he or she earns, he or she does not actually pay 35 percent on all $450,000 of the income. Calculate the amount of taxes that person would pay.

Calculate the percentage of income that is paid in taxes.

1. Complete the table below that represents the values for our actual tax plan. Show how you calculated your answers.

|  |  |
| --- | --- |
| Taxable Income | Tax Paid |
| $0 |  |
| $ 7,550 |  |
| $ 30,650 |  |
| $ 74,200 |  |
| $154,800 |  |
| $336,550 |  |
| $450,000 |  |