

Understanding Taxes



Theme 3: Fairness in Taxes



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“ *The taxpayer—that’s someone who works for the federal government but doesn’t have to take the civil service examination.* ”

– *President Ronald Reagan*





Fairness and Taxation





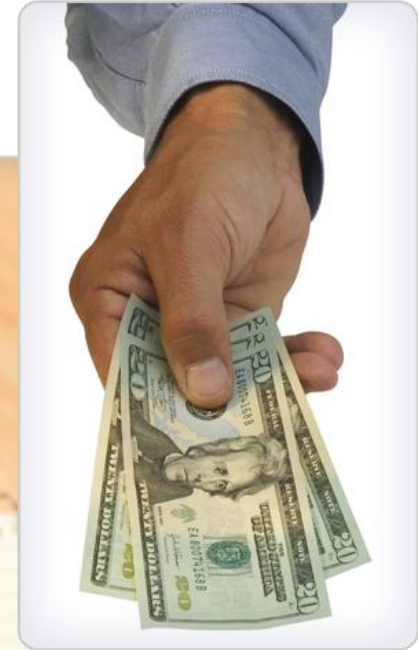
How to Measure Tax Fairness

- Ability to Pay
- Benefits Received





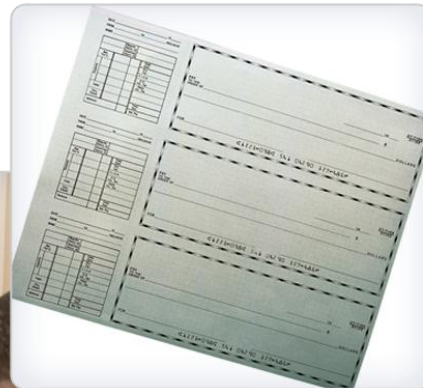
Ability to Pay





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Taxes and Benefits Received





Regressive Taxes

Everyone pays the same fixed amount





User Fees

- Fund public services





Progressive Taxes

Higher Income = Higher Taxes





Tax Brackets

U.S. Tax Brackets - 2011	
Single Taxpayer	Rate
\$0-\$8,500	10%
\$8,500-\$34,500	15%
\$34,500-\$83,600	25%
\$83,600-\$174,400	28%
\$174,400-\$379,150	33%
\$379,150-and above	35%



Wealth and Income

- Wealth: houses, cars, stocks, savings
- Income: wages, interest





Proportional Tax



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FICA & Social Security





Sales Tax Holiday

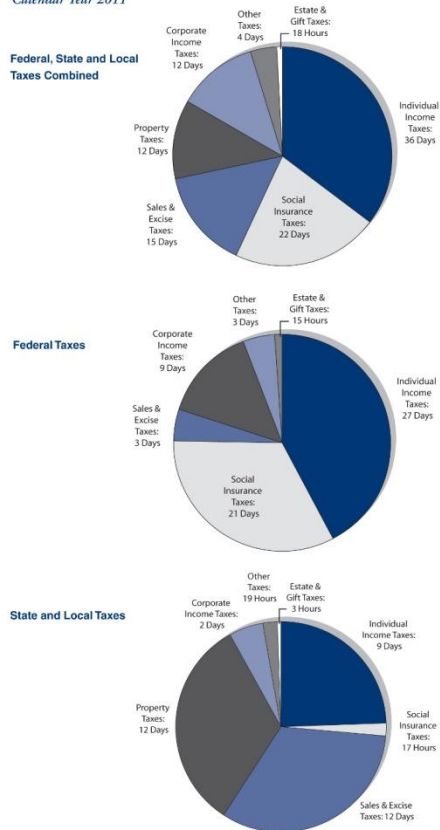




Fairness in taxes

Figure 2

How Long Americans Work to Pay All Federal, State and Local Taxes
Calendar Year 2011



Tax Freedom Day