

Payroll withholding system

Sin tax

Property tax

Individual income tax

Investment tax credit

Payroll taxes

Progressive tax

Capital gains

Corporate income tax

Tax loophole

Medicare

Surcharge

Proportional tax

Regressive tax

Flat tax

Tax return

Estate tax

Excise tax

Terms to Know

- Difference between Budget Deficit and Budget Surplus
- What is Deficit Spending?
- National Debt
- Balanced Budget
- Entitlement

Economics of Taxation

- Types of Taxes:

- **Proportional tax** – imposes the same percentage rate of taxation on everyone, regardless of income (tax rate is fixed - example - withholding social security taxes)
- **Progressive tax** – a tax that imposes a higher percentage rate of taxation on persons with higher income – Federal income tax
- **Regressive tax** – Imposes a higher percentage rate of taxation on low incomes than on high incomes (sales tax)

Federal Tax System

- Internal Revenue Service (IRS) – The branch of the U.S. Treasury Department in charge of collecting taxes.
- FICA
 - Federal Insurance Contributions Act tax – levied on both employees and employers.
 - Medicare – Federal healthcare program available to all senior citizens, regardless of income
 - Social Security – Federal program that pays retired and disabled persons

Federal Tax System

- Corporate Income tax – the tax a corporation pays on its profits – corporations are taxed separately from individuals (recognized as a separate entity)
- Excise tax – A tax on manufacture or sale of selected items such as gasoline and liquor (fourth largest source of federal government revenue)
- Estate tax – Tax the government levies on the transfer of property when a person dies
- Gift tax – tax on donations of money or wealth and is paid b the person who makes the gift
 - Used to make sure that wealthy people do not try to avoid taxes by giving away their estates before they die

Federal Tax System

- **Property tax** – a tax on tangible and intangible possessions such as real estate, buildings, automobiles, etc.
 - One of the largest sources of revenue for local governments

Deficits, Surpluses, and The National Debt

- Deficit spending – spending in excess of revenues collected
- The Federal Debt – The total amount borrowed from investors to finance the government's deficit spending (the Federal Debt is carried over from year to year until debt is paid in full)
- Balanced Budget – An annual budget in which expenditures equal revenues

Local sources of income

- In the state of Georgia, the largest sources of income for state government are income tax and sales tax.
- Property tax is the largest source of income for local governments.

1. The BEST example of a progressive tax in the United States is

- A. Federal income taxes
- B. sales tax
- C. federal excise taxes
- D. Social Security Taxes

2. The BEST example of a regressive tax in the United States is

- A. personal income taxes
- B. sales taxes
- C. luxury taxes
- D. property taxes

3. The BEST example of a proportional tax in the United States is

- A. personal income taxes
- B. sales taxes
- C. federal excise taxes
- D. social security taxes

4. An extra sales tax (often called “sin tax”) is

- A. Property tax
- B. Excise tax
- C. Gift tax
- D. Proportional Tax

5. One of the largest sources of revenue for local governments is

- A. property tax
- B. sales tax
- C. excise tax
- D. income tax