

Taxes: payment to the government , based on variables such as income, property value and sales prices.

Types of Taxes:

Proportional tax: takes the same percentage of income from all taxpayers.

i.e: Some state income taxes
Tax rate is 5%

\$10,000 income - \$500 in taxes
\$50,000 income- \$2500 in taxes

Progressive tax: based on the idea that those who have the **ability to pay** should pay a greater percentage of their income in taxes.

i.e: NY State Income tax and Federal Income Tax

\$ 10,000 income- tax rate is 10% (\$1,000)
\$ 50,000 income- tax rate is 25% (\$12,500)

Regressive tax: the proportion of income paid for taxes falls as income rises.

i.e: NY State sales tax (differs by county) Ulster -8%
Dutchess-8.13% NY city - 8.88%

Everyone pays the same sales tax in that county regardless of income. Hits lower income people harder.

Federal Taxes:

- Individual and corporate income tax (progressive tax)
- FICA(Federal Insurance Contributions Act): takes both Social Security and Medicare out of everyone's paycheck.
- Social security- 6.2% (proportional/regressive tax)
- Medicare- 1.45% (proportional/regressive tax)
- Excise tax: (**benefits received principle**) flat tax on specific items like gas and tobacco.
- Custom duties- taxes on imported items.

Social Security: federal programs that provides monthly payments to people who are retired or unable to work.

Medicaid: public-assistance program that helps pay health care costs for low income and disabled persons.

Budget surplus: situation when the amount of gov't receipts is larger than its expenditures during the fiscal year.

Budget deficit: situation when the amount of gov't spending exceeds its receipts during the fiscal year.

Transfer payments: income from taxpayers to recipients who do not provide any goods or services in return for these payments.

National Debt: total amount of outstanding debt for the federal government.