

Government Revenue

Chapter Nine



Define the following words

1. Regressive tax
2. Proportional tax
3. Progressive tax
4. Estate tax
5. Capital gains tax

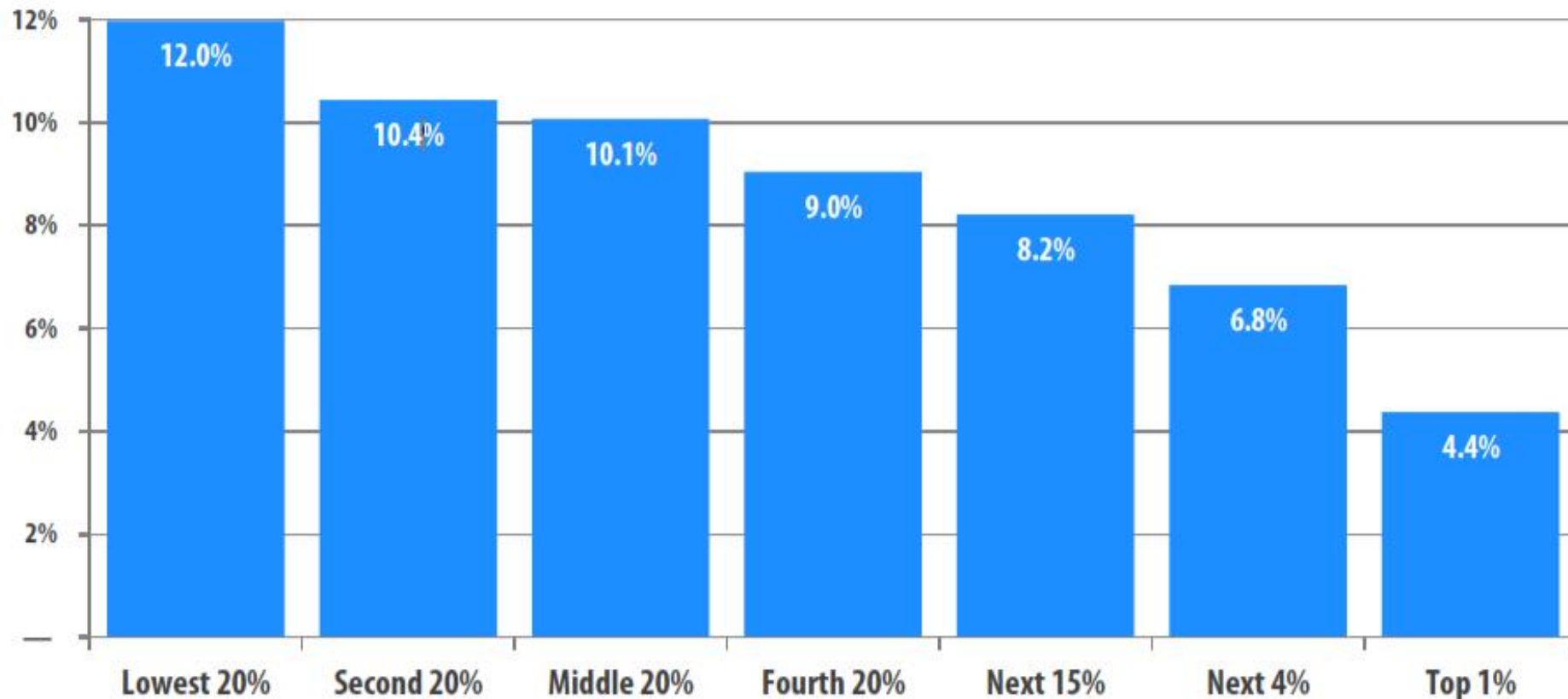


A tax that imposes a higher percentage rate of taxation on low incomes than on high incomes.

Pennsylvania State & Local Taxes

Shares of family income for non-elderly taxpayers

#8 of the Terrible 10

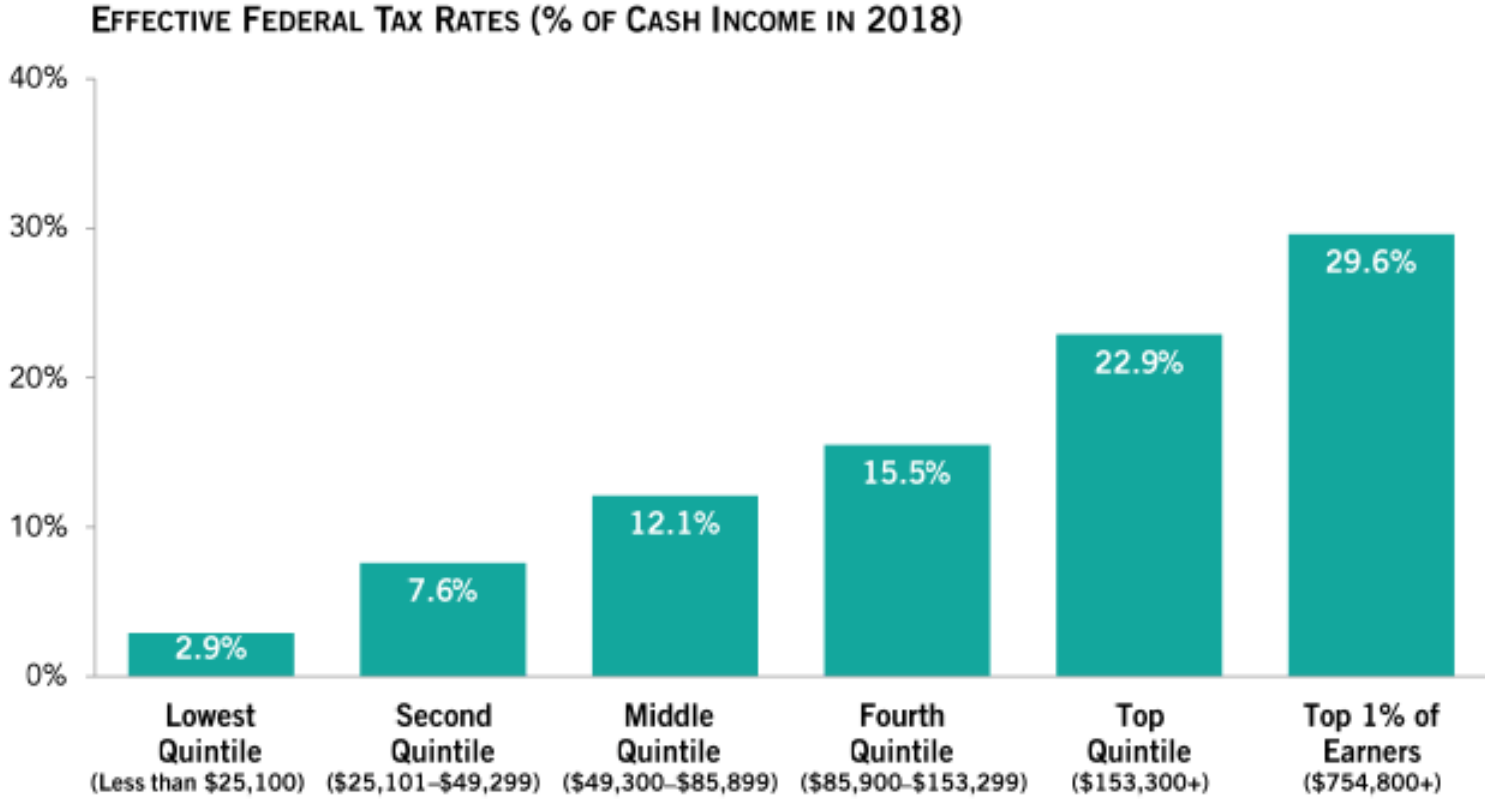


Regressive Tax

Is a tax that imposes a higher percentage rate of taxation on higher incomes than on lower ones



Effective tax rates increase with income

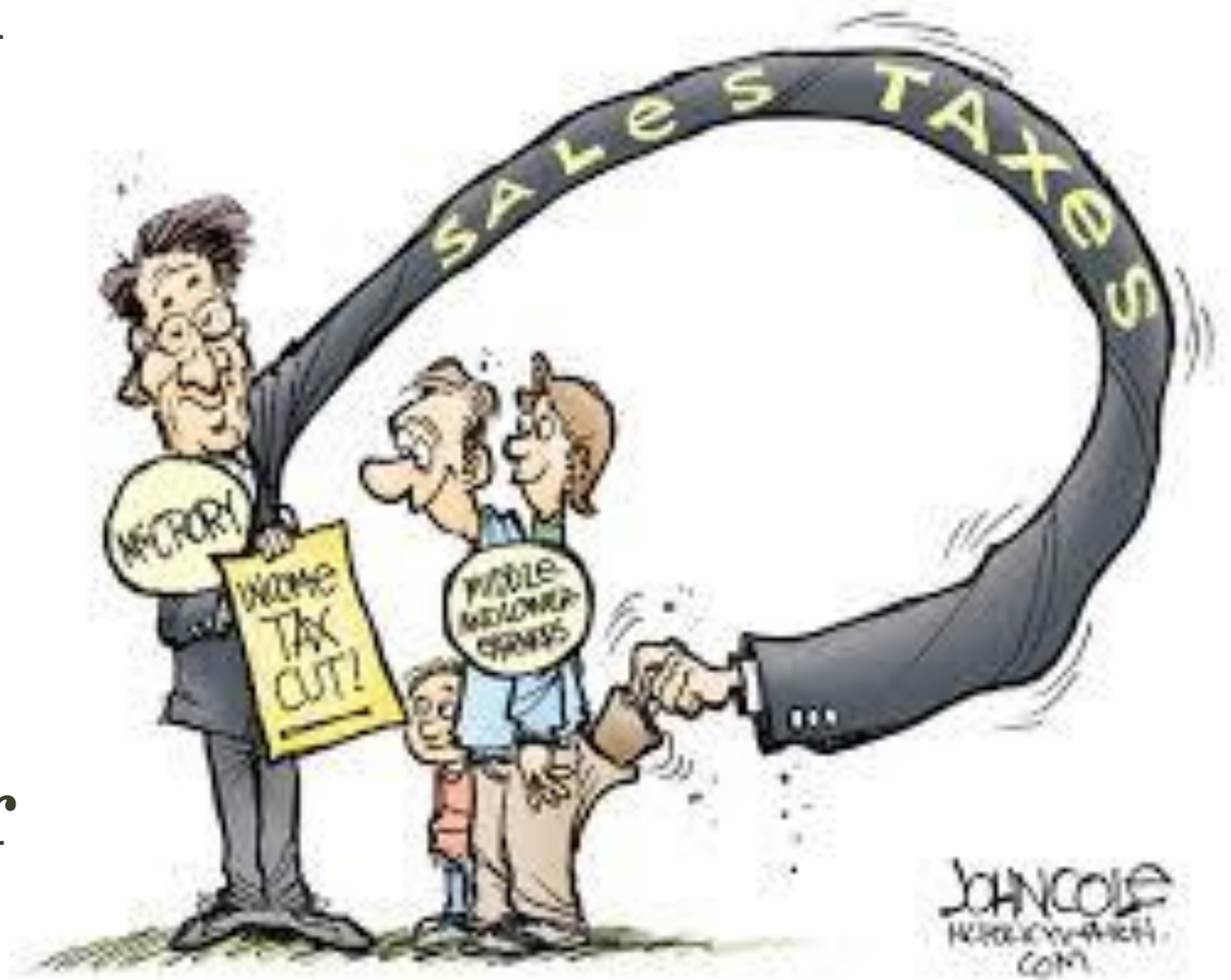


SOURCE: Tax Policy Center, *Effective Federal Tax Rates by Cash Income Percentile*, August 2018. Data are for 2018. Compiled by PGPF.
NOTE: Effective federal tax rate is calculated as total federal taxes paid divided by cash income. Federal taxes include individual and corporate income tax, payroll taxes for Social Security and Medicare, estate tax, and excise tax. A quintile is one fifth of the distribution. E.g., the lowest quintile is the 20% of the population with the lowest income.

Progressive tax

Imposes the same percentage tax on everyone.

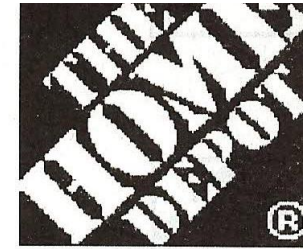
Medicare tax is 1.45% paid by everyone regardless of their income



Proportional tax

General tax that levied on most consumer purchases.

- Paid at the time of purchase
- Collected by the merchant
- Certain stuff can be exempt



More saving.
More doing.™

5005 E MARKETPLACE DRIVE SUITE #110
FLAGSTAFF, AZ 86004 (928)5261692

0421 00002 07498 02/26/12 01:04 PM
CASHIER GABRIEL - GXG4905

050375006794 EVO COMPACT <A>	179.00
EVOLUTION COMPACT	
854575003009 STEEL MSTR <A>	9.99
STEEL MEISTER 9.5 OZ	
078000083408 DIETDRPEPPER <A>	1.48N
DIET DR. PEPPER	
020000000000 11 20 OZ LEMON <A>	1.48N
LEMONADE	
000000000000 EV+NECDEP <A>	
DIET PEPPER	
201	2.96N
SUBTOTAL	194.91
SALES TAX	17.85
TOTAL	\$212.76
NET	212.76

6%



Sales Tax

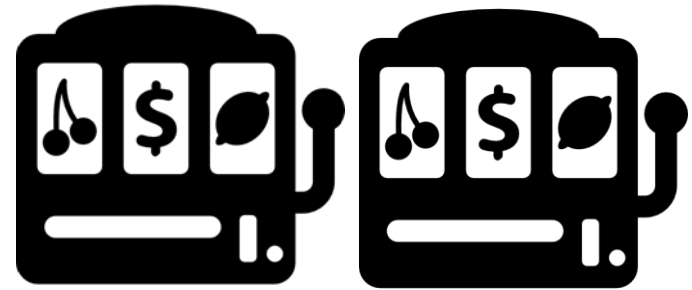
What is the law of demand?

The government knows that the higher the price of a product the less consumers are willing to buy!



A relatively high tax designed to raise revenue and lower consumption of a socially unacceptable act.

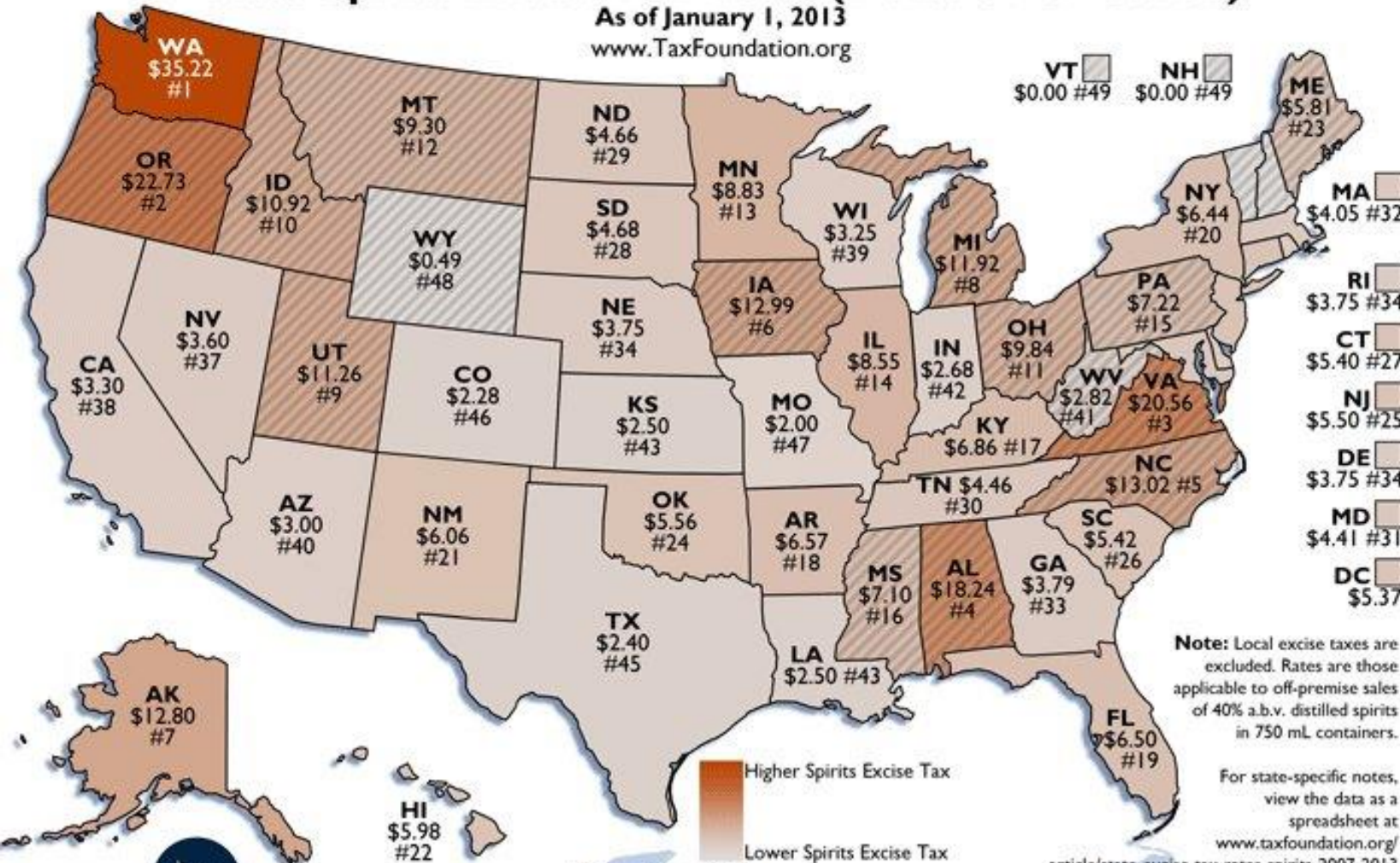
- Liquor
- Tobacco
- Gambling



State Spirits Excise Tax Rates (Dollars Per Gallon)

As of January 1, 2013

www.TaxFoundation.org

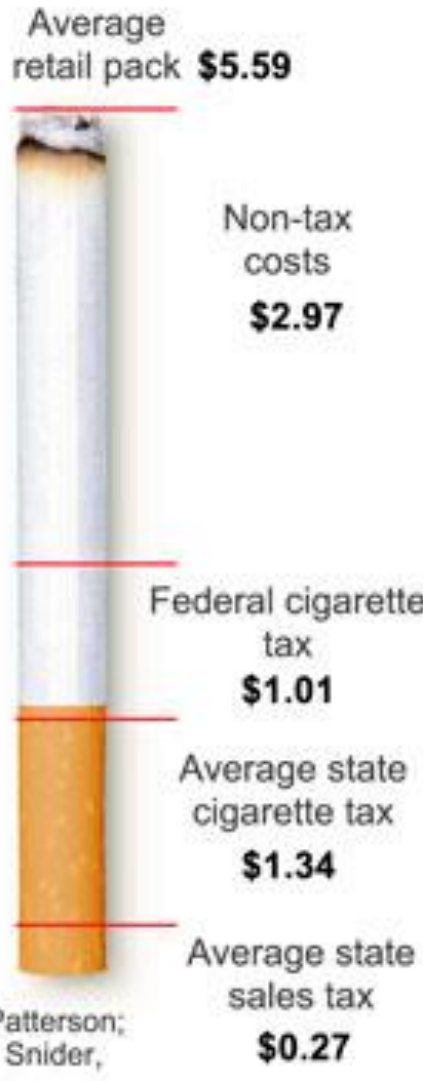


Note: Local excise taxes are excluded. Rates are those applicable to off-premise sales of 40% a.b.v. distilled spirits in 750 mL containers.

For state-specific notes, view the data as a spreadsheet at www.taxfoundation.org/article/state-excise-tax-rates-spirits-2007-2013

Source: Distilled Spirits Council of the United States, Tax Foundation

Nearly half of what smokers pay per pack goes to taxes.



Sources: Centers for Disease Control and Prevention, Campaign for Tobacco-Free Kids

Photo by Kate Patterson; graphic by Julie Snider, USA TODAY

Sin Tax



"Control" state*
 *States where the government controls sales. Products are subject to ad valorem mark-up and excise taxes; the rate is calculated using a methodology developed by the Distilled Spirits Council of the United States.

Gift Tax

Tax on the transfer of money or wealth paid by the donor.



"You gave away 60 billion toys and didn't get one receipt?!"

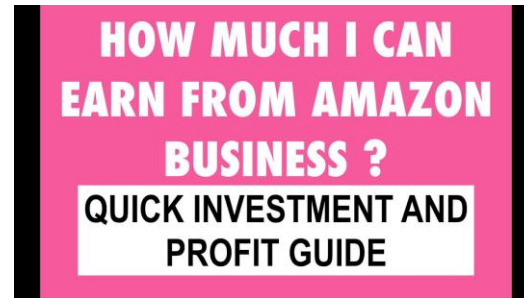
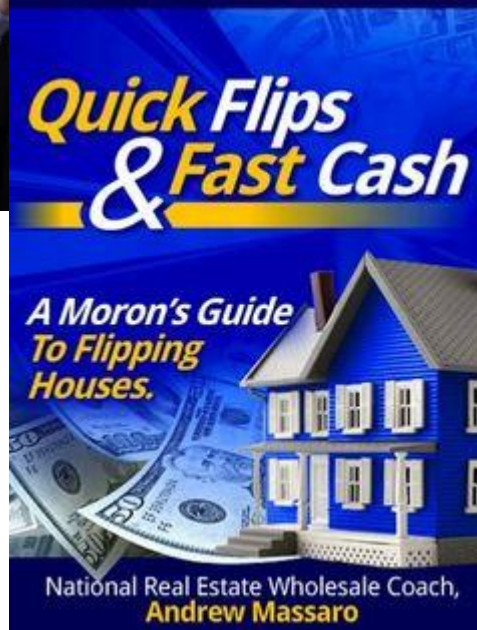
Estate Tax

Tax on the transfer of property when a person dies.



Profits from the sale of an asset held for 12 months or longer.

Anything below a year and the tax is significantly higher.



Cheat Sheet
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Answer questions 3-6