



# 7. TAX PROPOSALS CHARTS ETC.

*Some Comparative Information on Taxpayer TaxLiabilities*

## FIVE PROPOSED TAXES (PER HOUSEHOLD)

**1. Flat or proportional income tax.**

Rate: 10% of household income

**2. Graduated or progressive income tax.**

Rates (of household income):

- 5% on 1st \$25,000 of income;
- 10% on the 2nd \$25,000 of income, and
- 15% on all income above \$50,000

**3. Head (poll or per capita) tax.**

Each household pays the same amount: \$6,250.

**4. Flat sales (or consumption) tax.**

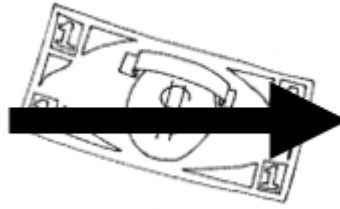
Rate: 13.16% on everything household spends.

**5. Flat property tax on the value of land and buildings owned.**

Rate: 1.25%.

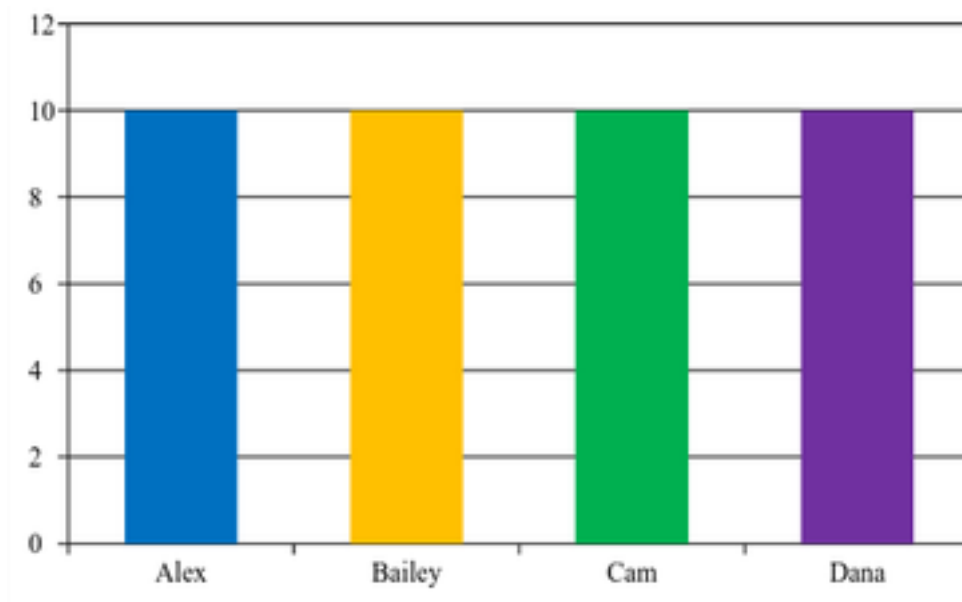
## Basic household data

Household	Alex	Bailey	Cam	Dana
<b>Married?</b>	Yes	No	No	Yes
<b>Children</b>	2	0	1	0
<b>Income</b>	\$25,000	\$25,000	\$50,000	\$150,000
<b>Spending</b>	\$30,000	\$25,000	\$45,000	\$90,000
<b>Property Value</b>	\$300,000	\$0	\$200,000	\$1.5 million



## OPTION 1: FLAT INCOME TAX

### 10% Flat Income Tax as % Income



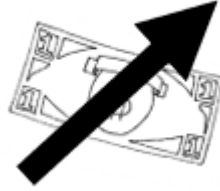
Alex, Bailey, Cam & Dana each pay **10%** of their household income under a flat income tax.

Alex's **10% (\$2,500)** is **10%** of the total **\$25,000** tax.

Bailey's **10% (\$2,500)** is **10%** of the total **\$25,000** tax.

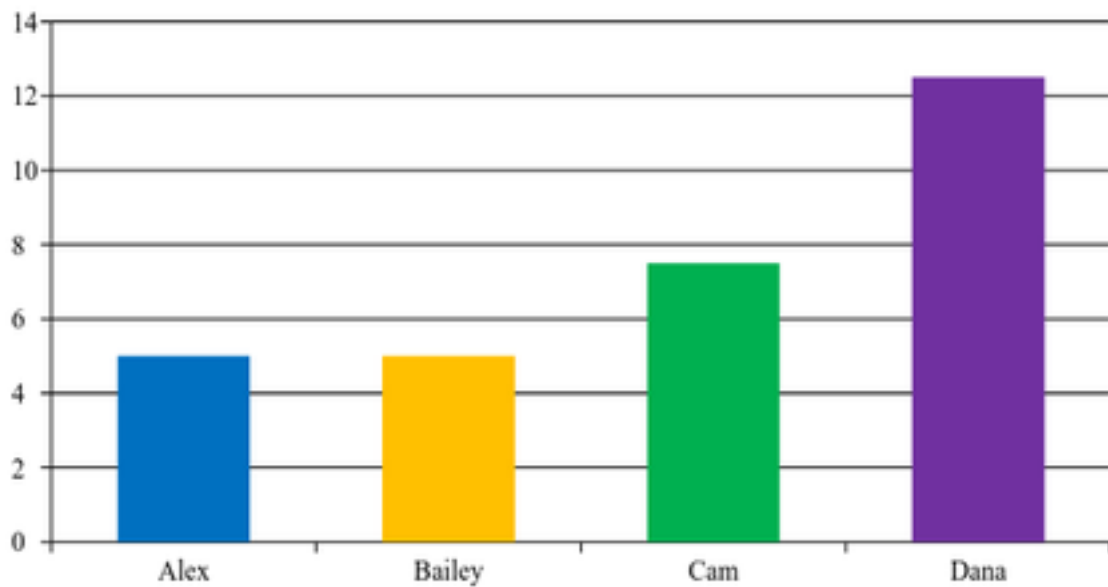
Cam's **10% (\$5,000)** is **20%** of the total **\$25,000** tax.

Dana's **10% (\$15,000)** is **60%** of the total **\$25,000** tax.



## OPTION 2: PROGRESSIVE INCOME TAX

Progressive Income Tax as % Income



Marginal And Effective Rate of the Progressive Income Tax

Household	Alex	Bailey	Cam	Dana
<b>Marginal Rate</b>	5%	5%	10%	15%
<b>Effective (Average) Rate</b>	5%	5%	7.5%	12.5%

Alex pays **5%** of the total tax and has **10%** of the total income.

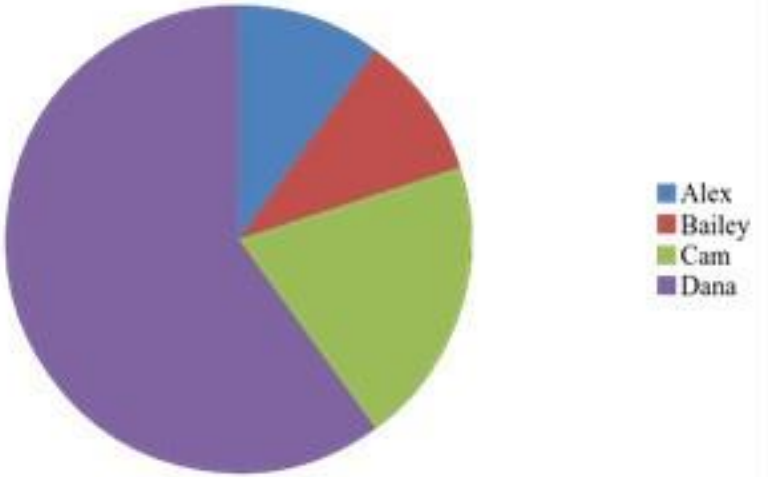
Bailey pays **5%** of the total tax and has **10%** of the total income.

Cam pays **15%** of the total tax and has **20%** of the total income.

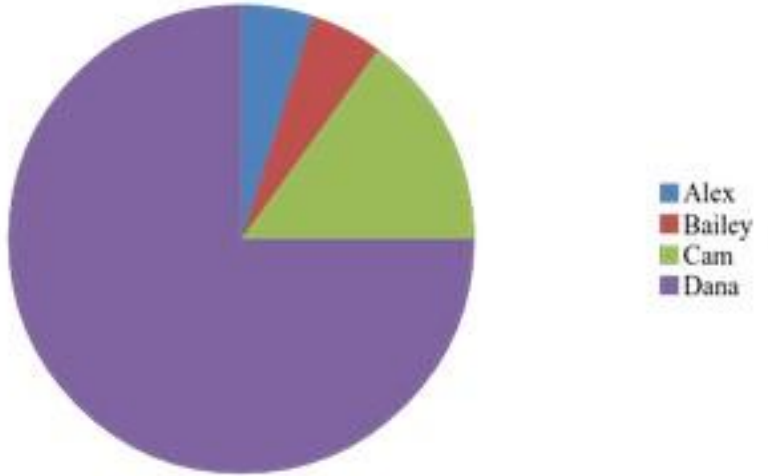
Dana pays **75%** of the total tax and also has **60%** of the total income.

# COMPARING A FLAT AND PROGRESSIVE INCOME TAX (AS % CONTRIBUTION TO ALL REVENUE)

Flat Income Tax



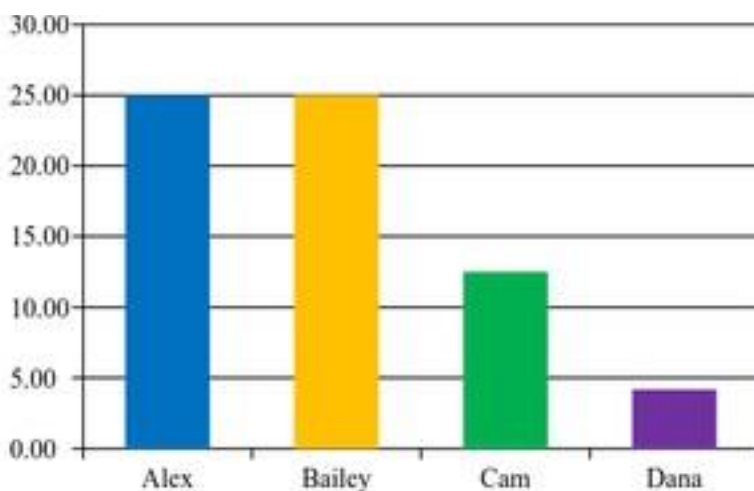
Progressive Income Tax





## OPTION 3: HEAD TAX

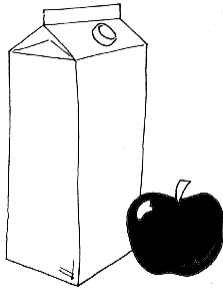
**\$6,250 Head Tax as % Income**



Each taxpayer pays the exact same amount in dollars (**\$6,250**) and each contributes **25%** of the total amount of tax (**\$25,000**). This may seem fair from one perspective, but is it fair from another perspective?

The poll tax is *regressive* when looked at as % of income. The poorer taxpayers pay a larger % of their income even though they have less discretionary income and so less ability to pay:

- The poll tax equals **25%** of Alex and Bailey's income [**\$6,250/\$25,000**].
- The poll tax equals **12.5%** of Cam's income [**\$6,250/\$50,000**].
- The poll tax equals **4.17%** of Dana's income [**\$6,250/\$150,000**].



## OPTION 4: FLAT CONSUMPTION TAX

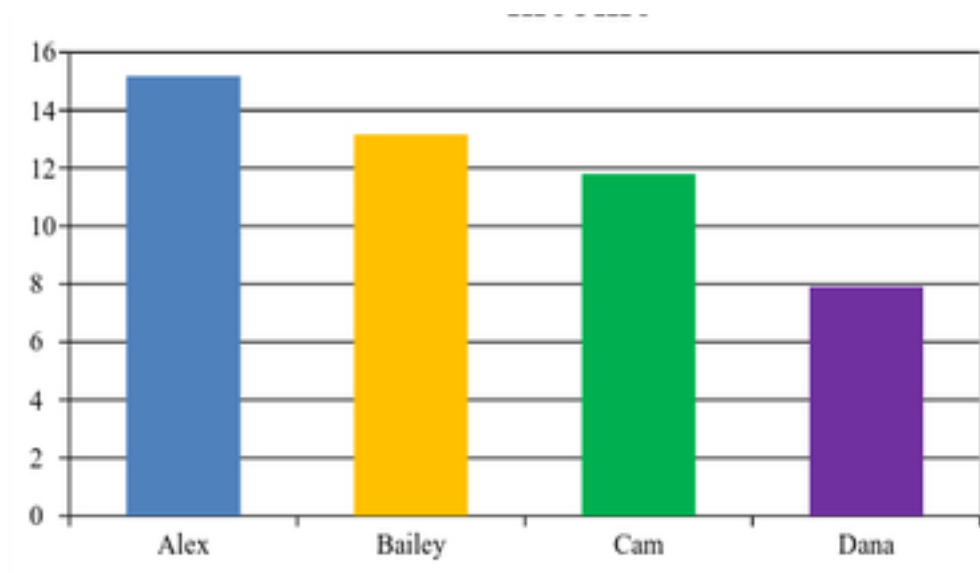
The consumption tax is **15.8%** of Alex's income (**\$3,948/\$25,000**).

The consumption tax is **13.16%** of Bailey's income (**\$3,290/\$25,000**).

The consumption tax is **11.8%** of Cam's income (**\$5,922/\$50,000**).

The consumption tax is **7.9%** of Dana's income (**\$11,844/\$150,000**).

**13.16% Flat Consumption Tax as % Income**

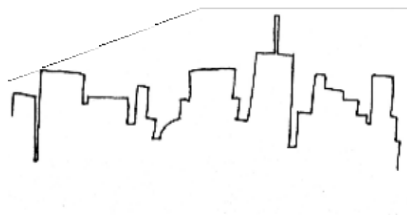


Alex pays about **15.18%** of the total consumption tax paid by everyone.

Bailey pays about **13.16%** of the total consumption tax paid by everyone.

Cam pays about **23.5%** of the total consumption tax paid by everyone.

Dana pays about **47.38%** of the total consumption tax paid by everyone.



## OPTION 5: PROPERTY TAX

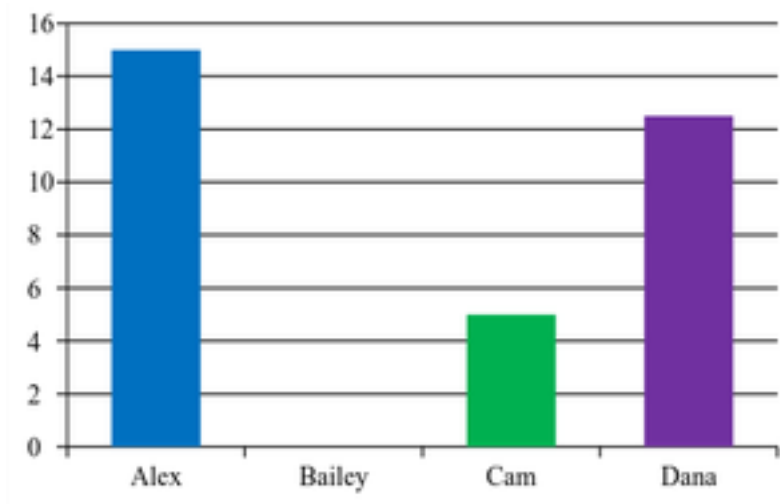
Alex's property tax is **15%** of income. (**\$3,750/\$25,000**)

Bailey has no property tax.

Cam's property tax is **5%** of income. (**\$2,500/\$50,000**)

Dana's property tax is **12.5%** of income. (**\$18,750/\$150,000**)

**1.25% Property Tax as % Income**



Alex pays **15%** of the total property tax.

Bailey pays **0%** of the total property tax.

Cam pays **10%** of the total property tax.

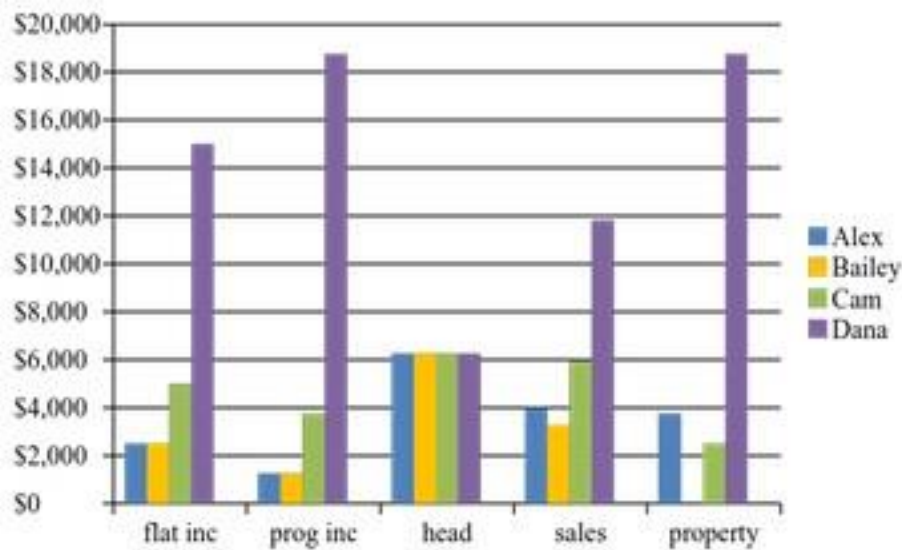
Dana pays **75%** of the total property tax.

# SUMMARY: COMPARISON OF ALL 5 OPTIONS

## Households' % of total income

Household	Alex	Bailey	Cam	Dana	Total
<b>Income</b>	\$25,000	\$25,000	\$50,000	\$150,000	\$250,000
<b>% of total</b>	10%	10%	20%	60%	100%

## Dollar Contributions of Each Household to Revenue under the 5 Tax Proposals



## Comparison of Each Tax as % of Contribution of Total Revenues

Household	Alex	Bailey	Cam	Dana
<b>Income (% of total income)</b>	10%	10%	20%	60%
<b>Flat income tax (% of total revenue)</b>	10%	10%	20%	60%
<b>Progressive income tax (% of total revenue)</b>	5%	5%	15%	75%
<b>Head tax (% of total revenue)</b>	25%	25%	25%	25%
<b>Sales tax (% of total revenue)</b>	15.8%	13.16%	23.5%	47%
<b>Property tax (% of total revenue)</b>	15%	0%	10%	75%

*If you want even more information to determine what is the fairest tax, consider the information regarding income on the next page.*



When looking at income statistics, it's useful to consider:

- **How do they define income?**
- **Do they use medians or means?**
  - Medians are in the middle (1/2 households have more income and 1/2 have less.)
  - Means are averages of all the income.
- **Are the statistics for an individual (per capita) or a household?**

# INCOME DISTRIBUTION DATA

## 1. Household Income

In 2018, median U.S. household income was \$61,937.

Median varies within various types of households according to such variables as race, gender, age, location. You can check out information, including the median household income in your state, at : <https://www.census.gov/library/visualizations/interactive/2018-median-household-income.html>

You can find U.S statistics on income and poverty for the population as a whole, and for various segments of the population at <https://www.census.gov/library/publications/2018/demo/p60-263.html> This publication is updated annually.

## 2. Poverty guidelines (2019)

Health & Human Services determines these guidelines yearly and many federal agencies use them (or variations of them) to establish eligibility for many federal benefits. These are similar to, but different from, the poverty threshold used by the U.S. Census. The Census defines income only by looking at cash (not in-kind benefits like housing subsidies). It also excludes some types of cash.

You can find the guidelines at <https://aspe.hhs.gov/2019-poverty-guidelines>.

For a comparison of poverty **thresholds** and poverty **guidelines**, check out <http://aspe.hhs.gov/poverty/faq.cfm>