



9. CAN YOU FIGURE OUT THE TAX?

See if you can figure out the proper amount of tax in each situation.

1. Last year the city of Serenity established a sugar tax of 2¢ per ounce on sweetened drinks such as sodas, energy drinks and sweetened iced teas. Today you bought a six-pack of 12-ounce cans of cola. How much sugar tax did you pay?
2. Is there any legal way you could avoid paying a sugar tax when you buy your soda?
3. You not only buy your soda in Serenity but you also live and work there. Last year your taxable income was \$52,000. The city has a 10% proportional income tax. How much income tax did you pay?
4. The city is considering changing its income tax to a progressive rate structure with the following rates.
 - 5% on the 1st 10,000 of taxable income
 - 10% on \$10,001 to \$30,000
 - 15% on \$30,001 to \$60,000
 - 20% on \$60,001 to \$120,000
 - 25% on \$120,001 and over.

What would your income tax be if this rate structure were the law?

5. Compare the amount of tax you paid under the flat tax in Q3 to the amount of tax you paid under the progressive tax in Q4. Did you pay more, less or the same under the progressive rate in Q4 as the amount you paid in Q3? If you paid more or less, how much?

6. What is your marginal rate of tax under the progressive tax in Q4?

7. What is your effective rate of tax under the progressive tax in Q4? How did you figure it out?

8. The State of Anxiety imposes a 5% sales tax on all goods and services bought in the state. Last year there were sales totaling \$100 billion. How much revenue did it collect from the sales tax?

9. The State of Frustration also imposes a 5% sales tax on all goods and services bought in the state. But it does not tax food or medicine. It also had \$100 billion in total sales last year.
\$20 billion of the sales was on food and \$5 billion was on medicine. How much revenue did it collect from the sales tax?

10. What can the State of Frustration do to raise as much revenue from its sales tax as the State of Anxiety does from its sales tax?