

# Paying Your Taxes

1. Tax rates are 10% on the first \$10,000 you earn and 20% on amounts over that. You earn \$15,000. What is your tax?

- 1) \$2,000
- 2) \$3,000
- 3) \$4,000
- 4) \$5,000

## SOLUTION:

Tax on the first \$10,000: \$\_\_\_\_\_ x .10 = \$\_\_\_\_\_ (a)

Amount earned over \$10,000: \$\_\_\_\_\_ - \$10,000 = \$\_\_\_\_\_ (b)

Tax on amount earned over \$10,000: \$(b)\_\_\_\_\_ x .20 = \$\_\_\_\_\_ (c)

\$ (a)\_\_\_\_\_ + \$ (c)\_\_\_\_\_ = \$\_\_\_\_\_

2. You earned \$34,000 and your total tax due was \$6,200. What was your average tax rate?

- 1) 8%
- 2) 10%
- 3) 18%
- 4) 20%

## SOLUTION:

Average tax rate: \$\_\_\_\_\_ (Total tax due) / \$34,000 (Amount earned) = \_\_\_\_\_

3. You earn \$22,000. The tax table says you owe \$3,456 in taxes. During the year, your tax withholdings were \$5,333. What is your refund?

- 1) \$22,000
- 2) \$5,333
- 3) \$3,456
- 4) \$1,877

## SOLUTION:

Refund: \$\_\_\_\_\_ (Tax withholdings) - \$\_\_\_\_\_ (Taxes owed) = \$\_\_\_\_\_

4. You are offered a choice between paying a flat tax (one rate on all income) of 20% on \$44,000 of income and paying a graduated tax of the following schedule on the same income. Schedule: 10% on the first \$25,000; 30% on your income over \$25,000. Which is better for you?

- 1) The flat tax
- 2) The graduated tax
- 3) Can't tell

## SOLUTION:

Flat tax = \$\_\_\_\_\_ x .20 = \$\_\_\_\_\_ (a)

Graduated tax = \$\_\_\_\_\_ x .10 + (\$44,000-\$25,000) x .30 = \$\_\_\_\_\_ (b)

The graduated tax of \$(b)\_\_\_\_\_ is less than the flat tax of \$(a)\_\_\_\_\_.

5. You discovered you can deduct medical expenses over 6% of your income. Your income is \$42,000, and you had medical expenses of \$567. What portion of your medical expenses can you deduct?

- 1) \$0
- 2) \$34
- 3) \$567
- 4) \$2,520

**SOLUTION:**

\$\_\_\_\_\_ x .06 = \$\_\_\_\_\_ (a)

You cannot deduct any portion of your medical expenses because \$567 is less than \$(a)\_\_\_\_\_ which is 6% of your income..