ARE 201 **Name _____KEY_____**

Lab #5

Compete the sentence or work the problem.

1. Total taxes paid divided by the taxpayer's income is the _**average**_____ tax rate.

2. The change in taxes paid divided by the change in the taxpayer's income the **marginal**_____ tax rate.
3. Gross income minus personal exemptions and minus deductions equals **taxable**_____ income.

4. A type of tax system where the tax paid as a percentage of the taxpayer's income *rises* as the taxpayer's income rises is a __**progressive**_____ tax system.

5. A type of tax system where the tax paid as a percentage of the taxpayer's income *falls* as the taxpayer's income changes is a __**regressive**_____ tax system.

6. A type of tax system where the tax paid as a percentage of the taxpayer's income *doesn't change* as the taxpayer's income changes is a __**proportional**_____ tax system.

Use the following information to answer questions 7 to 10.

Stan Ludlow's gross income is $60,000, and he files taxes as a single person. He uses the personal exemption of $4000 and has deductions of $6000. The following tax brackets are applicable to him.

Taxable income range	Tax rate
$0 to $10,000	0.10
$10,001 to $30,000	0.20
$30,001 and above	0.30

7. Stan's taxable income is ___**$50,000**_____.

8. The total income tax that Stan pays is ___**$11,000**_____.

9. Stan's *average tax rate* is ___**18.3% or .183**_____.

10. Stan's *marginal tax rate* is ____**30% or .30**_____.