

E. Types of Taxes

1. Proportional Tax

- taxed the same percentage regardless of income

2. Progressive Tax

- Higher tax rate as income increases

ex: Income Tax

3. Regressive Tax

- imposed a higher percentage rate of taxation on lower incomes than higher

ex: Sales tax

II The Federal Tax System

A. Individual Income Tax

- 16th Amendment

Done through a payroll withholding system

- employer automatically deducts income tax from an employee's paycheck and sends it directly to the gov

- IRS: Internal Revenue Services: In charge of collecting taxes

- you have from Jan 3 till April 15 to file a tax return.

B. Tax Brackets

- Based on how much you make the percentage you are taxed

- Indexing: revision of tax brackets to keep workers from paying more in taxes just because of inflation.