

Federal Expenditures - 2005

Pensions and Income Security - 35%
 Health (Medicare and Medicaid) - 21%
 National Defense - 20%
 Interest on Public Debt - 7%
 Other - 17%

Federal Tax Revenue - 2005

Personal Income Tax - 43%
 Payroll Tax - 37%
 Corporate Income Tax - 13%
 Excise Tax - 3%
 Other - 4%

Personal Income Tax

Personal Income Tax - tax levied on taxable income which is income after subtracting personal exemptions and deductions.

2006 Income Tax Brackets

10% on all taxable income up to \$15,100
 15% on all additional taxable income up to \$ 61,300
 25% on all additional taxable income up to \$ 123,700
 28% on all additional taxable income up to \$ 188,450
 33% on all additional taxable income up to \$ 336,550
 35% on all additional taxable income over \$ 336,550

Marginal tax rate - the rate at which tax is paid on each additional unit of taxable income.

Average tax rate = Total Tax Paid/Total Taxable Income

(1) Taxable Income	(2) Marginal Tax Rate	(3) Total Tax on Highest Income in Tax Bracket	(4) Average Tax Rate on Highest Income in Bracket
\$1 - \$15,100	10%	\$ 1,510	10.0%
\$15,101 - \$61,300	15	8,440	13.8
\$61,301 - \$123,700	25	24,040	19.4
\$123,701 - \$188,450	28	42,170	22.4
\$188,451 - \$336,550	33	91,043	27.1
Over \$336,550	35	—	—

Computation of tax for Taxable Income of \$15,100

$$\$15,100 \times 0.10 = \$1,510$$

Computation of tax for Taxable Income of \$61,300

$$\$61,300 - 15,100 = \$46,200$$

$$\$46,200 \times 0.15 = \$6,930$$

$$\$6,930 + 1,510 = \$8,440$$

Computation of tax for taxable income of \$123,700

$$\$123,700 - 61,300 = \$62,400$$

$$\$62,400 \times 0.25 = \$15,600$$

$$\$15,600 + 8,440 = \$24,040$$

Computation of tax for taxable income of \$188,450

$$\$188,450 - 123,700 = \$64,750$$

$$\$64,750 \times 0.28 = \$18,130$$

$$\$18,130 + 24,040 = \$42,170$$