

One goal of taxation is fairness or equity. A measure of tax fairness is the taxpayer's ability to pay. Determine the fairness of taxes in a regressive, progressive, and proportional tax system.

Use the charts below to answer the questions that follow. To calculate the amount of tax paid for each income level, multiply the tax rate by the income level.

Key Terms

- **progressive tax** - A tax that takes a larger percentage of income from high-income groups than from low-income groups.
- **proportional tax** - A tax that takes the same percentage of income from all income groups.
- **regressive tax** - A tax that takes a larger percentage of income from low-income groups than from high-income groups.
- **vertical equity** - The concept that people in different income groups should pay different rates of taxes or different percentages of their incomes as taxes. "Unequals should be taxed unequally."

How do regressive taxes affect income?		How do progressive taxes affect income?		How do proportional taxes affect income?	
Income	Tax Rate	Income	Tax Rate	Income	Tax Rate
\$10,000	20%	\$10,000	10%	\$10,000	20%
\$50,000	4%	\$50,000	20%	\$50,000	20%
\$100,000	2%	\$100,000	30%	\$100,000	20%

- In a regressive tax system, what is the tax amount for a person who earns \$10,000 a year?
 - \$2,000
 - \$4,000
 - \$8,000
 - \$1,000
- After taxes, how much will a person who made \$50,000 have left in this regressive tax system?
 - \$30,000
 - \$42,000
 - \$48,000
 - \$49,000
- How much will the highest taxed income level pay in taxes in a progressive tax system?
 - \$5,000
 - \$10,000
 - \$20,000
 - \$30,000
- What amount of taxes will those with an income of \$10,000 pay in a progressive tax system?
 - \$500
 - \$750
 - \$1,000
 - \$2,000
- In a proportional tax system, how much will a person earning \$10,000 a year have after taxes?
 - \$8,000
 - \$9,000
 - \$7,000
 - \$9,500
- In a proportional tax system, what will the tax amount be for a person who earns \$100,000 a year?
 - \$10,000
 - \$20,000
 - \$25,000
 - \$30,000

Types of Taxation

Name _____

Period _____

7. Complete the following table, which describes the sales tax paid by individuals at various income levels.

Income	Total Spending	Sales Tax Paid	Sales Tax Paid as a Percentage of Income
\$1,000	\$1,000	\$100	
\$5,000	\$3,000	\$300	
\$10,000	\$5,000	\$500	
\$100,000	\$40,000	\$4,000	

8. According to the data in the table, the sales tax is a _____ tax.
- Progressive
 - Regressive
 - Proportional
 - Flat

Determine if each of the taxes below is **progressive**, **regressive**, or **proportional**.

9. A tax of \$50 on each resident of Clarksville _____
10. An income tax of 10% on every taxpayer _____
11. A tax of \$1,000 on a person earning \$10,000 and a tax of \$2,000 on a person earning \$20,000 _____
12. A tax of 10% on the first \$50,000 of a person's income, 20% on the next \$50,000 of income, and 40% on all income over \$150,000 _____