



Graduated State Income Tax

Vocab:

Graduated Income Tax: a tiered tax system.
that taxes the rich at
a higher rate.

LESSON
2.3

EXAMPLE

Louise Main's annual salary as a police officer is \$34,500. She receives her pay semimonthly, or twice a month. Her exemptions total \$2,000. Use Figure 2.3 to determine how much her employer deducts for state income tax from each of her semimonthly paychecks.

State Tax	
Taxable Wages	Tax Rate
First \$1,000	1.5%
Next 2,000	3.0%
Next 2,000	4.5%
Over 5,000	5.0%
Exemptions	
Single	\$2,000
Married	4,000
Each Dependent	2,000

$$34,500 - 2,000 = \boxed{\$32,500}$$

$$0.015(1,000) + 0.03(2,000) + 0.045(2,000) + 0.05(32,500 - 5,000)$$

(32,500 - 5,000)

$$\begin{matrix} \$15 & + & \$60 & + & \$90 & + & \$1,375 \\ \hline & & & & & & \$1,540 \text{ annual} \end{matrix}$$

$$\frac{1,540}{24} = \boxed{\$64.17}$$

LESSON 2.3

Use the graduated income tax rates and exemption amounts in Figure 2.3 on page 135 to find the tax withheld per pay period. Check your answers in the back of the book.

- Eddie Black is single and receives his pay biweekly, or every 2 weeks. His annual salary as a tailor for Whyte and Broom is \$21,350.

State Tax	
Taxable Wages	Tax Rate
First \$1,000	1.5%
Next 2,000	3.0%
Next 2,000	4.5%
Over 5,000	5.0%
Exemptions	
Single	\$2,000
Married	4,000
Each Dependent	2,000

$$21350 - 2000 = \text{\$}19350$$

$$0.015(1000) + 0.03(2000) + 0.045(2000) + 0.05(19350 - 5000)$$

$$\text{\$}15 + \text{\$}60 + \text{\$}90 + 717.5 = \frac{882.50}{26} = \text{\$}33.94$$

LESSON 2.3

Use the graduated income tax rates and exemption amounts in Figure 2.3 on page 135 to find the tax withheld per pay period. Check your answers in the back of the book.

2. Lydia Robins' annual salary from Dresler & Everhard is \$67,500. She is married, has one dependent, and is paid monthly.

State Tax	
Taxable Wages	Tax Rate
First \$1,000	1.5%
Next 2,000	3.0%
Next 2,000	4.5%
Over 5,000	5.0%
Exemptions	
Single	\$2,000
Married	4,000
Each Dependent	2,000

$$67500 - 6000 = \$61500$$

$$0.015(1000) + 0.03(2000) + 0.045(2000) + 0.05(61500 - 5000)$$

$$\$15 + \$60 + \$90 + 2825$$

$$\frac{\$2996}{12} = \$249.17$$

LESSON
2.3

Find the tax withheld for Problems 3 and 4.

3. Tobi Vail, an aesthetician, has an annual gross pay of \$18,200. Her exemptions total \$1,500. The state tax on the first \$3,000 is 1.5% and on amounts over \$3,000 is 3%.

$$18200 - 1500$$
$$= \$16700$$

$$0.015(3000) + 0.03(16700 - 3000)$$

$$\$45 + \$411$$

$$\boxed{\$456}$$