

**University of Minnesota
Fall 2009 Economics 4821
Public Economics**

PS4 – Due at the beginning of lecture on Monday December 7.

Discussion Questions (from Rosen and Gayer Public Finance 8th Edition):

13.1, 13.3, 13.6, 13.8, 14.8, 15.1, 15.7, 15.8, 16.1

United States Income Taxes

Consider five households whose filing statuses are all single with these tax rates from the IRS:

Household Number	Taxable Income
1	\$ 25,000
2	\$ 50,000
3	\$ 100,000
4	\$ 200,000
5	\$ 400,000

IRS Tax Brackets for Taxable Income		
Over	But Not Over	Tax Rate
\$ -	\$ 8,025	10%
\$ 8,025	\$ 32,550	15%
\$ 32,550	\$ 78,850	25%
\$ 78,850	\$ 164,550	28%
\$ 164,550	\$ 357,700	33%
\$ 357,700	---	35%

- a) **What are the marginal income taxes for each household?**
- b) **Calculate taxes due for each household. (Be sure to show your work)**
- c) **Calculate average income taxes for each household.**
- d) **Is the United States income tax schedule progressive? How do you know?**