Taxation and Government Budget

Tax Policy

- Key tool to creating conditions for opportunity
- Distribution of wealth, funding for effective programs, creation of overall security

Examples of Different Types of Taxes

**Income tax**: portion of earned income from employment; progressive federal taxation

**Sales tax**: percentage of purchase price; flat rate or regressive tax as individuals with low income spend a larger percentage of their income

**Payroll tax**: contribution to the social security fund; 6.2% of paycheck matched by employer

**Capital gains tax**: for any appreciation of value of property (i.e. stock)

2015 U.S. Federal Budget

Sources of Funds of Federal Budget

- Personal income taxes: 41%
- Payroll taxes: 27%
- Corporate taxes: 9%
- Various fees: 9%
- Loan: 14%
- Personal income taxes: 41%

Spent $3.7 trillion = collected $3.2 trillion in taxes + borrowed $500 billion to cover the deficit.