

Today's learning objective:

By the end of class, I will be able to do my own taxes and calculate my effective tax rate.

Today's language objective:

*I will explain the difference between marginal tax rate and effective tax rate to a peer.

*I will discuss the deductions available to decrease taxable income.

Tax brackets for single filers

2017		2018	
10%	\$0–\$9,325	10%	\$0–\$9,525
15%	\$9,326–\$37,950	12%	\$9,526–\$38,700
25%	\$37,951–\$91,900	22%	\$38,701–\$82,500
28%	\$91,901–\$191,650	24%	\$82,501–\$157,500
33%	\$191,651–\$416,700	32%	\$157,501–\$200,000
35%	\$416,701–\$418,400	35%	\$200,001–\$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard deduction:	\$6,350	Standard deduction:	\$12,000
Personal Exemption:	\$4,050	Personal Exemption:	Eliminated

952.50
 3477

 $4,429.50$

eff: 9.8%

We will now calculate a simple tax return on the starting salary of someone graduating college today.

2017
 \$50,556 bach-avg
 (10,400) Standard ded.
 (5,000) ~~ALS~~ & personal exemp.
 (18,000) ~~Mrsie Horse~~ bank int payment (mortgage)
 40,156 taxable income
 (9,325) · 10%

30,731
 (28,624) · 15%
 2,107 · 25%
 Marginal tax rate
 "tax bracket"

2018
taxes
 932.50
 4293.60
 526.75
 5,752.85
 effective tax rate 11.4% = $\frac{5,752.85}{50,556}$

We will now calculate a simple tax return on a family of four with a combined income of \$150,000.

How do charitable donations impact your taxes?

How do interest payments impact your taxes?

mortgage

(tax deductible)

Personal exemptions vs Standard Deductions

IRS Audits

*80k employees
~14% are auditors

*~1mm audits

*127mm households

*Who is going to get audited?

Returns by Income	Percent of total returns	P
All returns	100%	0
No adjusted gross income	1.83%	5
\$1 - \$24,999	39.08%	0
\$25,000 - \$49,999	23.32%	0
\$50,000 - \$74,999	13.12%	0
\$75,000 - \$99,999	8.33%	0
\$100,000 - \$199,999	10.70%	0
\$200,000 - \$499,999	2.87%	1
\$500,000 - \$1 million	0.48%	3
\$1 million - \$5 million	0.24%	6
\$5 million - \$10 million	0.02%	1
Over \$10 million	0.01%	1

