

Taxes

How do we pay for the goods and services that government provides?

MACROECONOMICS

What Are Taxes?

Taxes are **mandatory payments** individuals, households, and businesses make to **local, state, and national governments**.

Taxes and government expenditures are different at each level of government.

	Property Taxes	Sales Taxes	Income Taxes	Corporate Taxes	Payroll Taxes
 Federal			✓	✓	✓
 State		✓	✓	✓	
 Local	✓	✓			

Types of Expenditures

Federal

- Social Security
- Health Care
- Defense

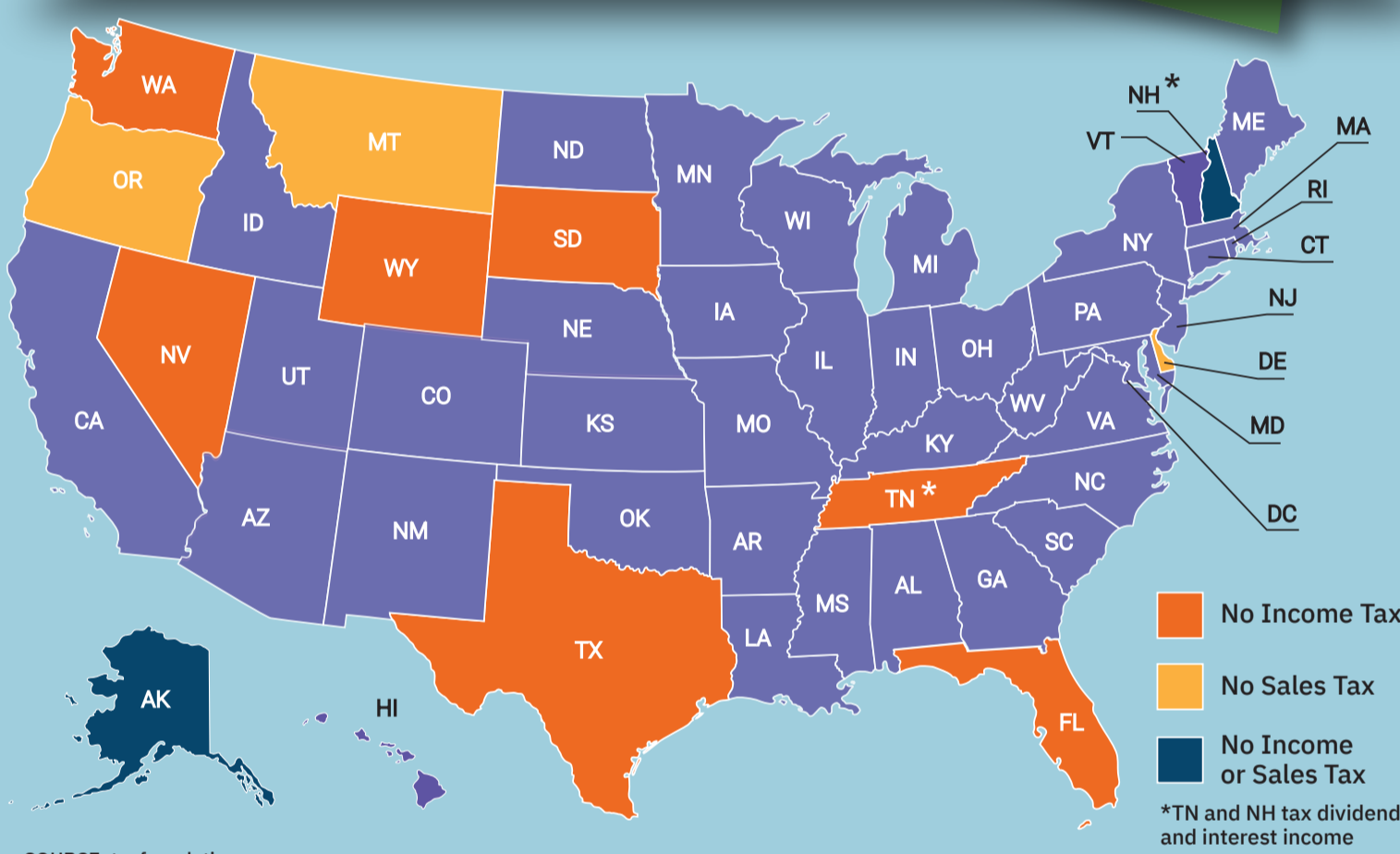
State

- Education
- Public Health
- Criminal Justice

Local

- Schools
- Roads
- Police

States Without Sales or State Income Taxes



When revenue \neq expenditures, the federal government runs a deficit or a surplus.



Types of Tax Systems

Progressive Tax

A system in which the tax rate increases as income increases

Regressive Tax

A system in which the tax rate decreases as income increases

Proportional (Flat) Tax

A system in which the tax rate is the same for all income

INCOME

TAX RATE

Increase

Increase

INCOME

Decrease

TAX RATE

Increase

INCOME

TAX RATE

Same



Federal Reserve Bank of Atlanta

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