

# Average v. Marginal Tax Rates

## Worksheet

Name: \_\_\_\_\_

Date: \_\_\_\_\_

1. Marginal tax rates show the amount of tax paid on the next dollar earned.
2. Average tax rates show the overall share of income paid in taxes.
3. The average tax rate is the total taxes paid divided by income.
4. A 12 percent marginal tax rate means that 12 cents of every next dollar earned would be taken as tax.
5. TRUE | FALSE: The average tax rate for individuals is typically higher than the top marginal tax rate.
6. There are two types of marginal tax rates: statutory and effective.
7. Effective marginal tax rates account for layers of taxes, along with deductions and credits.
8. Higher effective marginal tax rates (DISINCENTIVIZE | INCENTIVIZE ) additional work at the margin, which translates into ( HIGHER | LOWER ) productivity and economic growth overall.
9. TRUE | FALSE: A taxpayer's tax liability is determined by their taxable income.
10. In the U.S., (HIGH- | LOW- ) income taxpayers typically pay a higher average tax rate and are subject to higher marginal tax rates as their income climbs.