Average v. Marginal Taxes Worksheet

1. *Marginal tax rates* show the ______________________ on the ___________________________

2. *Average tax rates* show the __________________________________________________________.

3. The average tax rate is the ______________________________ divided by ___________________________

4. A 12 percent marginal tax rate means that ___________ 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*: ___________________ and _____________________.

7. ____________________ 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.