

Name _____

Tax Day

Answer Key

Correction Marks

The income tax system in the United States operates on a progressive model, where individuals are taxed at varying rates based on their income. To begin, taxpayers calculate their total income for the tax year, encompassing various sources like wages, investments, and business earnings. Deductions and credits can then be applied to reduce taxable income. Deductions, such as those for mortgage interest and retirement contributions, lower the income subject to taxation, while tax credits like the Child Tax Credit directly reduce the amount of tax owed.

The tax brackets system categorizes income into different segments, each corresponding to a specific tax rate. The more income one earns, the higher the tax rate applied to their earnings within each bracket. As of my last knowledge update in 2021, tax rates range from 10% for lower-income individuals to 37% for those with higher incomes. Once taxpayers have calculated their taxable income and applied deductions and credits, they can determine their final tax liability. This amount must be paid by the tax deadline, typically April 15th, or taxpayers may face penalties and interest charges. Conversely, if taxpayers overpaid throughout the year, they can expect a tax refund from the IRS. Accurate and compliant tax filings are often achieved with the help of tax professionals or tax preparation software due to the intricacies of the U.S. tax code.

Complete Passage

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