

Tax Terms 2024

A **progressive tax** takes a larger percentage, not just dollar amount, of income from high-income taxpayers than from low-income taxpayers. The US personal income tax rate increases as income increases.

A **regressive tax** operates in the opposite way. As income rises, the tax demands a decreasing proportion of a person's income as income increases. An example of a regressive tax is a state sales tax.

Marginal tax bracket is one of the seven income range segments that are taxed at increasing rates as income goes up. The marginal tax rate is applied to your last dollar of earnings. Each year the taxable income levels for the tax brackets are adjusted to reduce the effects of inflation.

Social Security and Medicare Taxes

In 2024, an individual will pay 6.2% of earned income up to \$168,600. An individual will pay 1.45% on all earned income for Medicare taxes. The combined tax rate for Social Security and Medicare is 7.65%. This combined tax is referred to as the FICA tax rate—Federal Insurance Contributions Act.

Deductions are day-to-day personal living expenses allowed to reduce adjusted gross income, therefore, the amount of income subject to taxes.

The **standard deduction** is a fixed amount all taxpayers may subtract. This will be **\$14,600** for single taxpayers for 2024 returns. \$29,200 for married couples filing jointly and \$21,900 for heads of household.

Items allowable as **itemized deductions** include medical and dental expenses, charitable gifts, job expenses, taxes and interest you paid.

A **tax credit** is a dollar-for-dollar subtraction from your tax liability that determines your final tax liability. A credit reduces your tax liability, whereas a deduction reduces your income subject to tax. Examples of tax credits include the Earned Income Tax Credit and Child Tax Credit.

You cannot claim personal exemptions for you and your dependents. But you should go to the IRS website (irs.gov) and conduct a **Paycheck Checkup** and use the Withholding Allowance calculator to check if enough tax or too much tax is being withheld from your paycheck. If too little is being withheld, you will owe come Tax Time!

2024 Tax Brackets Segment of Taxable Income	Marginal Tax Rate	Computation
\$0 to \$11,600	10%	
\$11,601 to \$47,150	12%	$47,150 - 11,601 = 35,549$
\$47,151 to \$100,525	22%	$100,525 - 47,151 = 53,374$
\$100,526 to \$191,950	24%	$191,950 - 100,526 = 91,424$
\$191,951 to \$243,725	32%	$243,725 - 191,951 = 51,774$
\$243,726 to \$609,350	35%	$609,350 - 243,726 = 365,624$
\$609,351 or more	37%	