

Government taxation

Finance



Government Taxation Taxation is the process through which governments collect revenues to finance public budgets. A government, which has no taxation is always unable to provide to the citizens most goods and services (Molly 2009). It is, therefore, very beneficial to comprehend the main types of taxation levied in a country and their advantages and disadvantages. In the United States, there are three main types of taxes which almost every citizen has to pay. The three are income tax, sales tax, and property tax. This paper seeks to discuss the three and make a comparison on how each tax measures up against the criteria for evaluating revenue options.

Income tax Every citizen in the United States is obliged to paying income tax regardless of the place the citizen stays in the country. Each state in the United States has its own state income and sets the amount that the citizens have to pay. A good number of states have extra state income tax while others they at all have no state income tax. Others still apply state income tax to dividend income as well as to interest. Other types of income tax applied in the states are personal income tax, and retirement income tax (Mikesell 2011). Income tax is very useful in the economy of the United States. It permits a progressive taxation on the quantity of cash an individual makes which is an essential scheme that helps in distributing wealth equally. The progressive taxation program also allows the government to stabilize the income stream even in times of depression (Mikesell 2011). Another advantage of income tax is that it is easy to collect since it is automatically removed from the paycheck of the citizen. Besides, income tax has its limitations in that the system is very complex. The tax code used is said to be favoring the poor and being unfair to the wealthy.

Property tax This is another type of tax in the United States of America which
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is paid by property owners to the state. Often, the states that which do not have state income tax often have put the burden on the property tax. The rates of the property tax in such states are very high. The rates often vary due to the area in which it is applied, town, city or county. These taxes are very useful since they assist in paying for public services such as community colleges, public schools, and other matters concerned by the local government (Molly 2009). Property owners will be charged tax on the basis of the land in use, any improvement to the land as well as any structures that are not permanent to the property. This imposes some disadvantages of the tax. The owner of a property may be forced to sell it since the tax can double or triple in amount making the owner unable to pay it. Citizens who are on a fixed income rate are disadvantaged since the tax can increase any time making the value of their homes also increase leaving them unable to pay the tax. The property tax does not guarantee for natural calamities or personal tragedy.

Sales tax These are taxes that are charged when one buys an item. The percentage of the sales tax also varies with states in the United States. Consequently, states that lack state income tax often have very high sales tax. The tax is collected by the merchants who deposit it authorized by the state. Value added tax, which is usually associated with sales tax, is not considered in the United States (Molly 2009). Cash payments to the merchants in most cases evade the sales tax. Sales taxes provide revenue for the state and local governments. This revenue is vital in ensuring good environment for business and other essentials such as infrastructure are taken care of due to such revenues. However, the tax is said to be unfair. The state and local sales taxes are naturally regressive for the reason that <https://assignbuster.com/government-taxation-essay-samples-2/>

the lower a family's returns the higher income it will spend on tax (Mikesell 2011).

Conclusion This paper has explicitly touched on the three leading types of taxes in the United States of America. As observed, each state has its own style of collecting the tax. Most of the states which do not have income tax are said to impose high rate on either property tax or sales tax. Most of the tax collected is seen as revenue for the state as well as the local government in which programs and plans of the government are carried out. These programs ensure equity of wealth as well as convenient economic conditions of the citizens.

References:

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Molly, F. (2009). Reducing Budget Deficit: Tax Policy Options. New York: McGraw Hill.