

Funding the public sector essay example

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The US systems of taxation.

The US Taxation System is believed to be one of the most developed and sophisticated tax systems in the whole world. Being a federal government country with a liberal economy, taxes in the USA are imposed by the federal, most state, and local governments; but they are completely separated from each other and each of those has its own authority to charge taxes and to determine the tax rate. Nevertheless, the process itself is being done on all of three levels simultaneously, which means people end up paying several taxes at once. Still, the leading role in this complicated process belongs to the federal government taxation, which takes up to 70% of all of the tax incomes and expenditures, and rates varying from 10% to 39% of the taxable income. But we should not forget about local government taxation also, as it plays a significant part when it comes to covering the expenses on the local level (from 70% to 90% financing according to different sources), and rates varying widely from 0% to 13.3%.

All of the federal taxes go to fund the operational expenses of the federal government and also to service the country's national debt. All of the US citizens and residents, working or staying in the country are obligated to pay federal taxes. Basically, funds earned from taxes are the source all of the services and goods are getting paid for from. Without this essential tax income, the government would be entirely dependent on fees and bond issuance to keep itself in motion, or would simply fail to function as an institution.

The most important Federal Taxes.

Federal taxation has a great amount of tax types, but there are several that post greater value than the other ones.

Payroll taxes are collected by both federal and state governments, and include Social Security and Medicare taxes taken both from employers and employees.

Property taxes are being imposed by local governments and many specialized institutions which is based on the market value of property at the time. Property tax is often implicated for realty only, though some jurisdictions put taxes on some forms of business property.

Sales taxes are implicated by most states and some local governments on the price that are in a retail sale of numerous goods and services. Sales tax rates may vary within an institution based on the particular goods or services being taxed. Sales tax is always collected by the seller, and is always incorporated into the price of the item.

Income tax is one of the most important forms of taxation. It is collected by both federal and state governments and is implicated to an every single citizen or a resident of the US. It works in the way that a particular percentage of the amount earned by a person in one month is deducted from the account. Federal taxes include social security deductions and FICA.

Corporate tax refers to a tax that is imposed on income, capital gains, or other types of company profit. A lot of taxation systems put additional tax burden on owners or members of those profits; actually on dividends or other distributions from the profits to the members. The rate of tax is defined by jurisdiction and is often progressive, and is calculated depending on the

net income of the company.

The inheritance tax, estate tax and death duty are the various taxes types, which arise when a certain individual dies. There is a clear difference between an estate tax and an inheritance tax: the former taxes the personal representatives of the deceased, while the latter taxes the beneficiaries of the estate.

References

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