



# Taxation in the United States of America

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# PLAN

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# THE TAX SYSTEM OF USA

**Taxes are imposed in the United States at federal, state and local levels. These include taxes on income, property, sales, imports, payroll, estates and gifts, as well as various fees.**

**State rules for determining taxable income often differ from federal rules. Federal tax rates vary from 15% to 35% of taxable income. State and local tax rates vary by jurisdiction, and many are graduated. State taxes are generally treated as a deductible expense for federal tax computation. Certain alternative taxes may apply.**



# PAYROLL TAXES

This taxes are imposed by the federal and all state governments. These include Social Security and Medicare taxes imposed on both employers and employees, at a combined rate of 15.3% (13.3% for 2011). Social Security tax applies only to the first \$106,800 of wages in 2009 through 2011.

Employers also must withhold income taxes on wages. An unemployment tax and certain other levies apply.



# Social Security and Medicare taxes



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Federal social insurance taxes are imposed equally on employers and employees, consisting of a tax of 6.2% of wages up to an annual wage maximum (\$106,800 in 2010) for Social Security plus a tax of 1.45% of total wages for Medicare.

For 2011, the employee's contribution was reduced to 4.2%, while the employer's portion remained at 6.2%. To the extent an employee's portion of the 6.2% tax exceeds the maximum by reason of multiple employers, the employee is entitled to a refundable tax credit upon filing an income tax return for the year.



# TAXES

Employers are subject to unemployment taxes by the federal and all state governments. The tax is a percentage of taxable wages with a cap. The tax rate and cap vary by jurisdiction and by employer's industry and experience rating.

For 2009, the typical maximum tax per employee was under \$1,000. Some states also impose unemployment, disability insurance, or similar taxes on employees.



# Property taxes



**Property taxes** are imposed by most local governments and many special purpose authorities based on the fair market value of property. School and other authorities are often separately governed, and impose separate taxes. Property tax is generally imposed only on realty, though some jurisdictions tax some forms of business property. Property tax rules and rates vary widely.

# Income tax

The U.S. income tax system imposes a tax based on income on individuals, corporations, estates, and trusts. Under the U.S. system, individuals, corporations, estates, and trusts are subject to income tax.

**Partnerships** are not taxed; rather, their partners are subject to income tax on their shares of income and deductions, and take their shares of credits. Some types of business entities may elect to be treated as corporations or as partnerships.



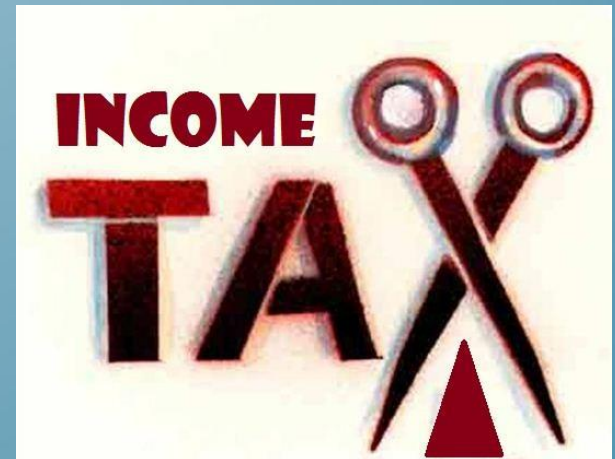


Income tax rates differ at the federal and state levels for corporations and individuals.

**Individuals** are subject to federal graduated tax rates from 10% to 35%.

**Corporations** are subject to federal graduated rates of tax from 15% to 35%; a rate of 34% applies to income from \$335,000 to \$15,000,000.

State income tax rates vary from 1% to 16%, including local income tax where applicable. State and local taxes are generally deductible in computing federal taxable income. Federal and many state individual income tax rate schedules differ based on the individual's filing status



# Sales taxes



**Sales taxes** are imposed on the price at retail sale of many goods and some services by most states and some localities.

**Sales tax rates** vary widely among jurisdictions, from 0% to 16%, and may vary within a jurisdiction based on the particular goods or services taxed.

Sales tax is collected by the seller at the time of sale, or remitted as use tax by buyers of taxable items who did not pay sales tax.

The United States imposes tariffs or customs duties on the import of many types of goods from many jurisdictions. This tax must be paid before the goods can be legally imported. Rates of duty vary from 0% to more than 20%, based on the particular goods and country of origin.

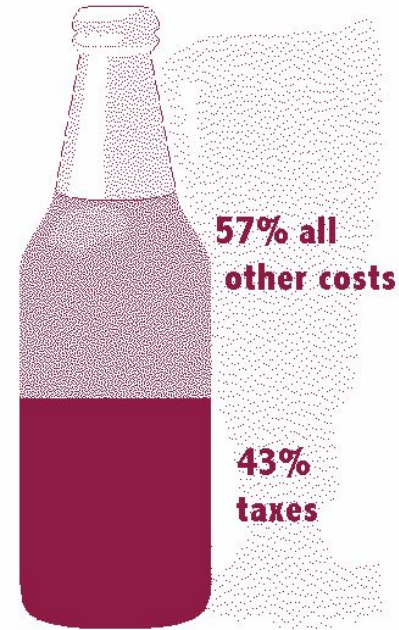


# EXCISE TAXES



**Excise taxes** may be imposed on the sales price of goods or on a per unit or other basis. Excise tax may be required to be paid by the manufacturer at wholesale sale, or may be collected from the customer at retail sale.

Excise taxes are imposed at the Federal and state levels on **a variety of goods**, including alcohol, tobacco, tires, gasoline, diesel fuel, coal, firearms, telephone service, air transportation, unregistered bonds, and many other goods and services. Some jurisdictions require that tax stamps be affixed to goods to demonstrate payment of the tax.





# Estate and gift taxes

Estate and gift taxes in the United States are imposed by the Federal and most state governments.

The estate tax is an excise tax levied on the right to pass property at death. It is imposed on the estate, not the beneficiary.



Gift taxes are levied on the giver (donor) of property where the property is transferred for less than adequate consideration. An additional generation-skipping transfer (GST) tax is imposed by the Federal and some state governments on transfers to grandchildren (or their descendants).

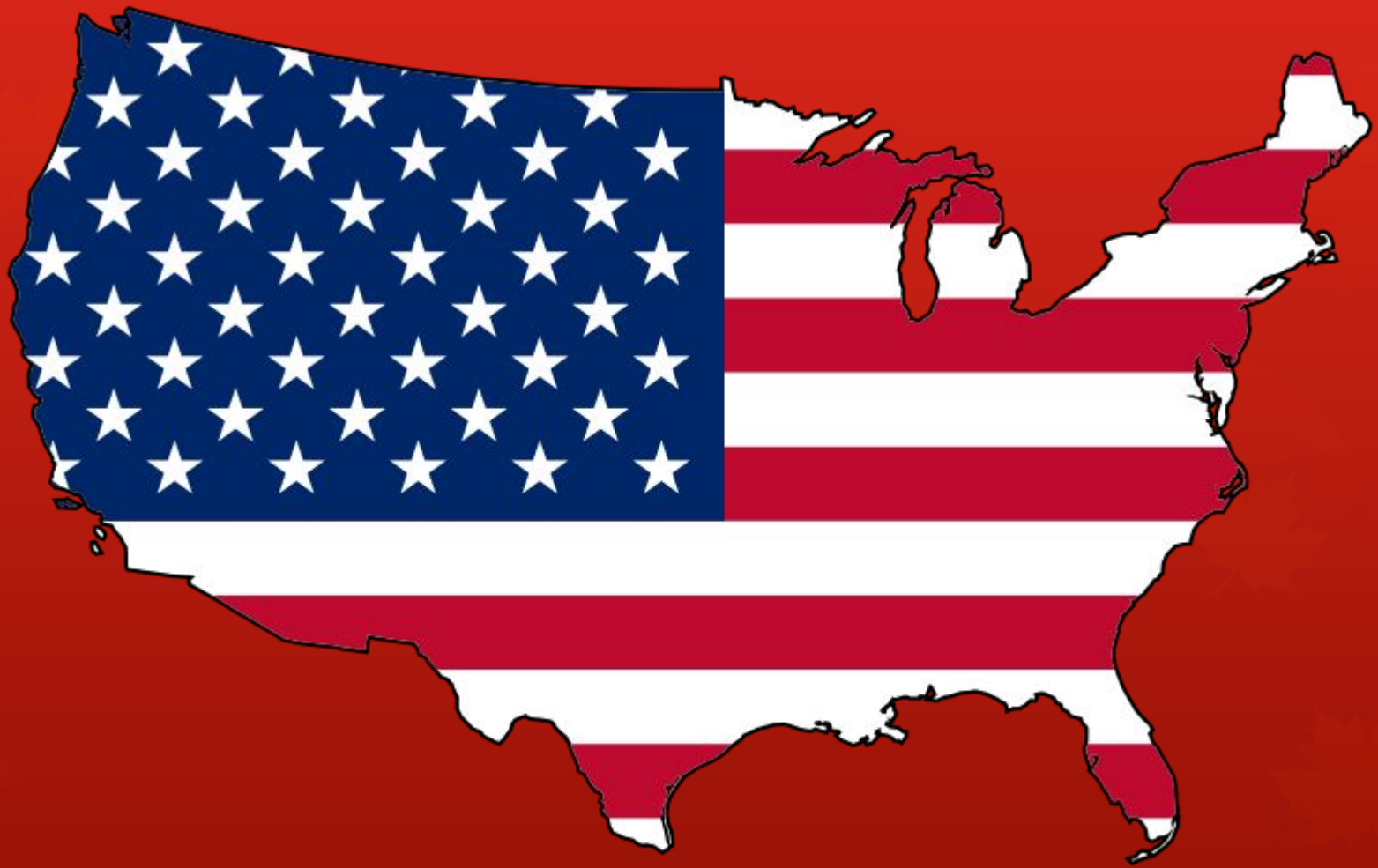
# Licenses and occupational taxes



Many jurisdictions within the United States impose taxes or fees on the privilege of carrying on a particular business or maintaining a particular professional certification. These licensing or occupational taxes may be a fixed dollar amount per year for the licensee, an amount based on the number of practitioners in the firm, a percentage of revenue, or any of several other bases.

Persons providing professional or personal services are often subject to such fees. Common examples include accountants, attorneys, barbers, casinos, dentists, doctors, auto mechanics, plumbers, and stock brokers.





**Thank you for attention**