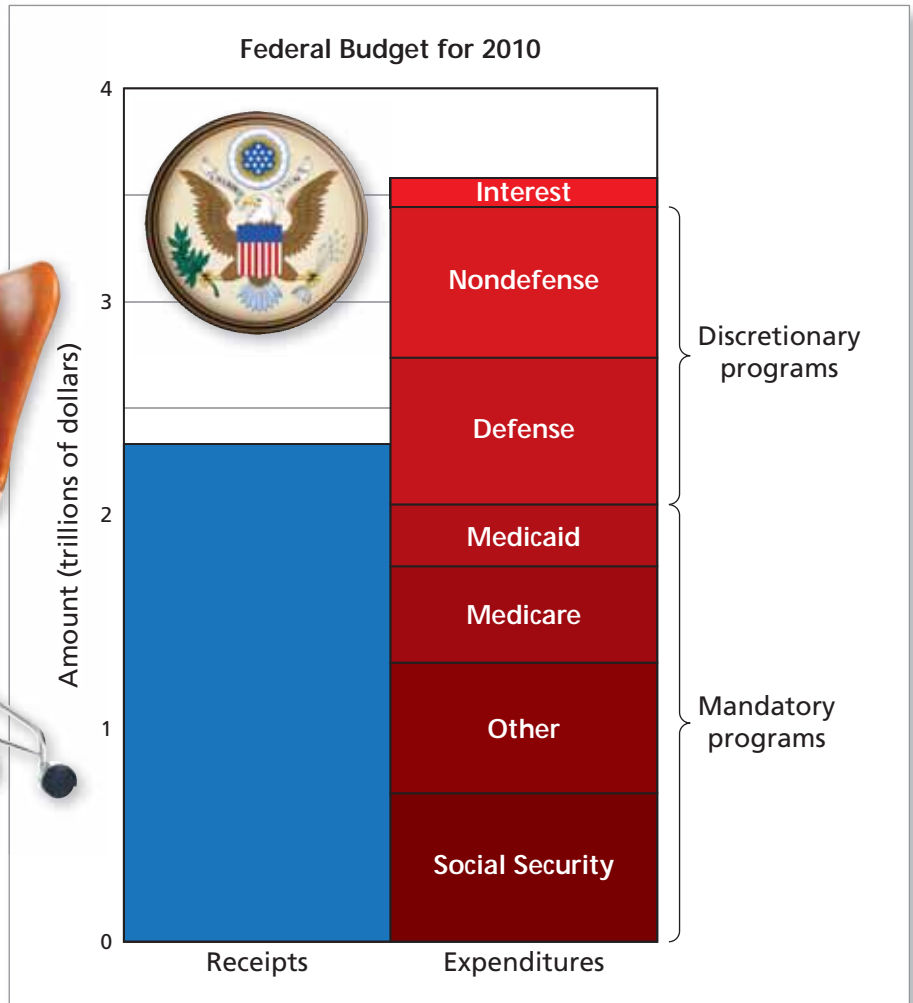


EXAMPLE 6 Analyzing the Deficit

Use the information graphic to estimate how much additional income tax revenue the U.S. government would have to raise to eliminate its annual deficit. What percent would each taxpayer have to pay in a flat tax system?



SOLUTION

The expenses were projected to be about \$3.58 trillion. The income was projected to be about \$2.3 trillion. So, the deficit was projected to be about \$1.28 trillion. With a total personal income of about \$13 trillion, each taxpayer would have to pay an additional

$$\frac{1,280,000,000,000}{13,000,000,000,000} \approx 9.8\%$$

to cover the deficit. With the rate from Example 5(a), this implies that the federal government could balance its budget by charging each American taxpayer a flat tax rate of about 17.5%.

✓ Checkpoint

Help at Math.andYOU.com

Suppose you are given the task of balancing the federal budget without raising taxes. Which expenses would you eliminate to balance the budget? Explain your reasoning.