



**EXAMPLE 2** Calculating a Graduated Income Tax

As of the writing of this text, California’s income tax rates were the second highest of all state income tax rates. Use the table to find the state income tax for a taxable income of \$200,000. What was the effective tax rate?

Taxable Income	Marginal Tax Rate
\$0–\$7124	1.25%
\$7125–\$16,890	2.25%
\$16,891–\$26,657	4.25%
\$26,658–\$37,005	6.25%
\$37,006–\$46,766	8.25%
\$46,767–\$1,000,000	9.55%
\$1,000,001+	10.55%



**SOLUTION**

	A	B	C
<b>DATA</b>			
	<b>Taxable Income</b>	<b>Marginal Tax Rate</b>	<b>Tax</b>
1			
2	\$7,124.00	1.25%	\$89.05
3	\$9,766.00	2.25%	\$219.74
4	\$9,767.00	4.25%	\$415.10
5	\$10,348.00	6.25%	\$646.75
6	\$9,761.00	8.25%	\$805.28
7	<u>\$153,234.00</u>	9.55%	<u>\$14,633.85</u>
8	<b>\$200,000.00</b>		<b>\$16,809.77</b>
9			

The three graduated tax tables on these two pages are for single taxpayers. In many cases, married couples pay less income tax than if they stayed single. This occurs primarily in lower taxable income brackets.

The effective tax rate was  $\frac{16,809.77}{200,000.00} \approx 8.4\%$ .

**✓ Checkpoint**

Help at [Math.andYOU.com](http://Math.andYOU.com)

As of the writing of this text, Hawaii’s income tax rates were the highest of all state income tax rates. Use the table to find the state income tax for a taxable income of \$200,000. What was the effective tax rate?

Taxable Income	Marginal Tax Rate
\$0–\$2400	1.40%
\$2401–\$4800	3.20%
\$4801–\$9600	5.50%
\$9601–\$14,400	6.40%
\$14,401–\$19,200	6.80%
\$19,201–\$24,000	7.20%
\$24,001–\$36,000	7.60%
\$36,001–\$48,000	7.90%
\$48,001–\$150,000	8.25%
\$150,001–\$175,000	9.00%
\$175,001–\$200,000	10.00%
\$200,001+	11.00%

