

Here we go again

Once again, the facts are in the view of the holder. They are also determined by the definitions of the subject of the facts. Just because someone says that, “it is a fact”, doesn’t mean that it is truly a fact. Numbers and words if not stated in the correct context or without the whole quote can actually be false.

There is actually a difference between income tax and tax on income. This is a simplistic description of the income tax system. In the United States income tax means a progressively increasing rate of tax on your income as your taxable income goes up. You take a look at your federal 1040 return to see how taxable income is calculated. You add up your income, reduce by income adjustments where you will obtain your adjusted gross income. Then you reduce this by your standard deduction, determined by your status – single, married joint, married separate, or head of household- or your itemized deduction. – which is a combination of legal deductions that are reduced or eliminated as your income goes up. Then taxable income is divided into three categories –regular, capital gains or alternative minimum tax - to determine the tax schedule to use. Once the tax is determined then it is reduced by a series of tax credits, refundable and nonrefundable. As the income goes up these credits are reduced or eliminated. Then in some cases self-employment tax is added on. Then there is a series of additional tax credits and withholdings to reduce the actually tax owed or refund.

In many cases, for lower income earners the tax payer actually gets a much larger refund than actual withholdings because of things like child tax credits, education credits and earned income credits. For the 2010 tax year the federal government gave out 4.2 billion in child tax credits, 15.5 billion in education tax credits, and 59 billion in earned income tax credits. This is according to the Internal Revenue Service website. There was an additional amount of energy tax credits that is fraught with erroneous claims. There is no longer in existence a homebuyer’s credit. This gave money away to people for buying a house that in the beginning was to be paid back and then was changed to not having to be paid back if the homebuyer met certain criteria. Which are mostly unenforceable.

Now let’s talk about payroll taxes, the other tax on income. These are taxes mandated by the government on each individual’s wages and self employment income. For an employee these include social security tax (4.2% on the first \$110,100.00) and Medicare tax (1.45%). For an employer they include social security tax (6.2% on the first 110,100.00), Medicare tax (1.45%), SUTA (state unemployment) and FUTA (federal unemployment). SUTA and FUTA are based on the employer’s history. And since the federal government has extended the unemployment payment period to 99 weeks, Arizona has assessed an additional excise tax on the employer to make up the difference. So as you can see the employee does not pay for unemployment and also pays a reduced amount for social security. The employer also is required to purchase workers comp insurance for its employees in case of injury in the workplace. This cost is also based on the claims history of the company and the industry they are operating in.

Then it comes to the definitions of millionaires, working poor and middle class. The definition is in the eye of the beholder. Does millionaire mean net assets or yearly earnings? I know of people who have assets like land, retirement accounts, and business value, that they gave there blood, sweat, tears and sacrifice, that do not earn a livable income. As they built up these assets they paid income tax on the profits or income. Working poor, in my opinion, is a state of mind and a perception of yourself. Middle class in effect is everyone below Bill Gates and above the teenager who has his first job at McDonalds. In America there is an abundance of opportunity for those that want to pursue them. There is nothing that can hold you back but yourself. Not even the government. Even though, they are trying hard with there regulations and class warfare.

Once again, let's not just throw out facts like they are true. Give your sources and proper context. Even better, give the total quote. Anything less is doing a disservice to the readers.