

What's Your Bracket?

Miquel and Anna Green have been married for almost five years and have no children. They both have good jobs, with a combined income of \$84,000. They enjoy living in a rental near downtown but hope to eventually buy a home. Based on their current circumstances, they have decided to use the standard deduction of \$24,000 allowed for a married couple when paying their federal income tax.

Use the following tax table to calculate the amount of federal income tax they would be responsible to pay on their income. Show your calculations in completing the exercise and answer the questions below.

What is the Green's Tax Bracket?		
Taxable income range	Marginal tax rate	Taxes Paid on \$60,000 Income
First \$8,025	10%	\$
Between \$8,025 and 32,550	15%	\$
Between \$32,550 and 78,850	25%	\$
Between \$78,850 and \$164,550	28%	\$
Between \$164,550 and \$357,700	33%	\$
Over \$357,700	35%	\$
<i>Total paid in federal income tax</i>		\$

Questions

- Why are they only paying taxes on \$60,000 when their annual income is \$84,000?
- What would happen to the amount of taxes they pay if there was no standard deduction?