Taxes

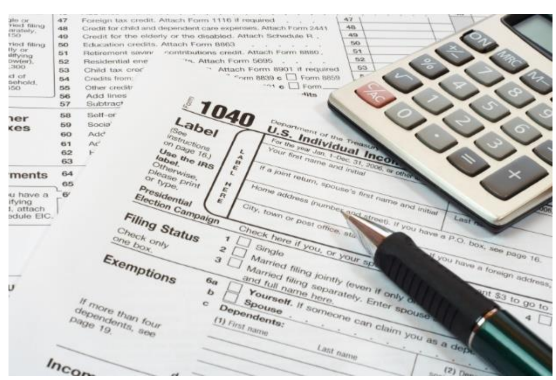
Have you ever made a purchase and were surprised to hear the store clerk rattle off a total that was greater than the ten-dollar item you were purchasing? The additional amount you were charged above sticker price went to pay for taxes. Taxes are required fees charged to people or businesses by a government entity. Governments at the federal, state and local levels charge taxes to pay for public services they provide like roads, schools, parks, and police protection.

Tax systems and rates vary greatly among nations, states, and cities. Not everyone agrees upon how much tax should be charged and how many and what types of services governments should provide using tax money. Throughout United States history, tax rules have been a constant debate among our citizens and policy makers. During elections, one important factor voters often consider is which candidate best aligns with their personal beliefs about tax laws.

In the United States, citizens pay a variety of tax types. Some of the most common include:

Sales Tax: A tax collected on the purchase of certain goods and services at the time of the purchase. After collecting tax money from consumers, businesses must pay the tax money to the government.

In the United States, each state has the authority to set their own sales tax rate. Some states like Oregon and New Hampshire do not charge any state sales tax. In Illinois, the state sales tax is 6.25%. Some goods like medicine, medical equipment, and some food have only a 1% state sales tax. Local governments, like cities and counties, can add their own sales taxes which can make the sales tax higher in some areas.



Income Tax: A tax paid by workers and corporations to federal, and sometimes state, governments based upon the amount of income they earn. Employees typically pay their income tax through a process called *payroll withholding*. This means the employer takes taxes from workers' pay and gives it to the government. By Tax Day, April 15th of the following year, workers must file their taxes with the state and federal government to ensure that the correct amount of taxes was paid by the worker. If the employer did not take enough tax money from the worker's pay, he may owe additional tax money. If the employer took too much tax money from the worker's pay, he may receive a tax refund.

Moreno, Tonya. "Here's Everything You Need to Know About State Taxes in Illinois." *The Balance*, www.thebalance.com/illinois-tax-profile-3193263.

Like many developed nations, the United States has a progressive tax system. This means that workers and corporations who earn the most money pay the highest tax rate and the workers and corporations who earn the least money pay the lowest tax rate. For example, a single worker who earns $2,000/month would pay a lower tax rate than a single worker who earns $5,000/month.

Like sales tax, states can charge their own income tax. Illinois' income tax is not progressive. All Illinois workers pay a flat 3% income tax rate regardless of how much income they earn. The government sometimes allows an exception to help certain groups of people, like seniors or disabled citizens, by charging a reduced rate of taxes.

Property Tax: A local tax paid by property owners based on the value of their property. Property may include land and buildings like houses, apartments, etc. Property taxes are generally collected annually by local governments and used to provide common services like water, sewers, and fire protection. Before buying a property, buyers should carefully review the property taxes charged for the property so they are clear on the taxes they will have to pay.

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