

## Exploring the Fiscal Cliff

One significant current event at the turn of new year was the projected 2013 tax rates and impact of the “fiscal cliff.” One way Americans could have experienced this “fiscal cliff” was as an increase in their income taxes if previous tax cuts enacted by President George W. Bush in 2001 and 2003 were allowed to expire. On January 1st, 2013, Congress passed the Fiscal Cliff Budget Compromise Bill to keep the tax cuts for over 95% of Americans.

For this exploration, you will examine the effect of tax rates with and without the Fiscal Cliff Budget Compromise Bill on salaries in various fields. Be sure to give yourself ample time to answer the questions on the Google Form linked below.

1. Open the [Fiscal Cliff Spreadsheet](#) and save a copy to your Google Docs. Add your name to the title of the Doc.
2. Investigate the salaries of various careers that you may be interested in. Select 5 possible careers from [this list from the U.S. Department of Labor](#) and write their annual mean wages (average gross salary) in each chart on the Spreadsheet.
3. Next, compute the 2013 taxes for those salaries. Below, you will find two charts. One shows projected tax rates if tax cuts had expired. The other shows projected tax rates with the new Fiscal Cliff Budget Compromise Bill in place. Using the following formulas, determine the estimated taxes and net salary for each of the careers and salaries that you chose in #2.

$$e = tg, \text{ where } e=\text{estimated taxes, } t=\text{tax rate and } g=\text{gross salary}^*$$

$$n + e = g, \text{ where } n=\text{net salary, } g=\text{gross salary and } e=\text{estimated taxes}$$

**Table 1. 2013 Taxable Income Brackets and Rates Under Full Expiration of Bush Tax Cuts**

Rate	Single Filers	Married Joint Filers	Head of Household Filers
15%	\$0 to \$36,250	\$0 to \$60,550	\$0 to \$48,600
28%	\$36,250 to \$87,850	\$60,550 to \$146,400	\$48,600 to \$125,450
31%	\$87,850 to \$183,250	\$146,400 to \$223,050	\$125,450 to \$203,150
36%	\$183,250 to \$398,350	\$223,050 to \$398,350	\$203,150 to \$398,350
39.6%	\$398,350+	\$398,350+	\$398,350+

(Retrieved from <http://taxfoundation.org/article/next-years-tax-brackets>)

**Table 2. 2013 Taxable Income Brackets and Rates Under the Fiscal Cliff Budget Compromise Bill**

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$8,925	\$0 to \$17,850	\$0 to \$12,750
15%	\$8,925 to \$36,250	\$17,850 to \$72,500	\$12,750 to \$48,600
25%	\$36,250 to \$87,850	\$72,500 to \$146,400	\$48,600 to \$125,450
28%	\$87,850 to \$183,250	\$146,400 to \$223,050	\$125,450 to \$203,150
33%	\$183,250 to \$398,350	\$223,050 to \$398,350	\$203,150 to \$398,350
35%	\$398,350 to \$400,000	\$398,350 to \$450,000	\$398,350 to \$425,000
39.6%	\$400,000+	\$450,000+	\$425,000+

(Retrieved from <http://taxfoundation.org/blog/2013-tax-brackets>)

4. Using the tables you created, highlight the columns in each table for gross salary and estimated taxes; then, insert a scatterplot display each set of data.

5. Finally, open up the Fiscal Cliff Google Form and submit your answers to the questions. As time permits, complete the *Celebrity Bonus* below, adding the answers to the Celebrity Bonus questions to your submission.

***Celebrity Bonus!***

Using data from [businessinsider.com](http://businessinsider.com), choose 3 to 5 celebrities with different annual salaries. Create 2 tables and scatterplots similar to those used above to show how the Fiscal Cliff Compromise Bill affected their taxes.

- Name the domain and range for each of your sets of data.
- Did the Compromise Bill have a similar effect on the celebrities' salaries as it did on the salaries you selected above? If not, describe the differences and hypothesize an explanation.

\*This is a simplified version for determining estimated taxes. For a more accurate explanation of how tax brackets and effective tax rates work, you can visit <http://www.efile.com/tax-rate/federal-income-tax-rates>.