

# 2.3 Federal Income Taxes

## GOALS

- Calculate adjusted gross income and taxable income
- Calculate the income tax due
- Calculate the income tax refund for single dependents

## Start Up

Sven Tole is a high school student who worked during summer vacation. He noticed that federal income taxes were withheld from his paychecks. He didn't think it was fair for him to pay taxes when he made so little during the year. Is he right?



## Math Skill Builder

Review these math skills and solve the exercises that follow.

① **Add** money amounts.

Find the sum.  $\$2,509 + \$1,090 + \$56 + \$398 = \$4,053$

1a.  $\$1,907 + \$3,763 + \$78 + \$189$

1b.  $\$5,007 + \$208 + \$976 + \$92$

② **Subtract** money amounts.

Find the difference.  $\$32,459 - \$4,108 = \$28,351$

2a.  $\$3,766 - \$791$

2b.  $\$28,067 - \$1,448$

2c.  $\$107,390 - \$65,288$

③ **Multiply** money amounts.

Find the product.  $\$2,600 \times 2 = \$5,200$

3a.  $\$2,789 \times 4$

3b.  $\$3,188 \times 6$

3c.  $\$1,572 \times 10$

## ■ Adjusted Gross Income and Taxable Income

Employers deduct money for federal income tax from worker's pay. This is called a *withholding tax*. The amounts withheld are estimates of the tax owed at year's end.

The tax year for individuals ends on December 31. You must calculate and pay any federal income tax due by April 15 of the next calendar year. Income earned and taxes due are reported on a *federal income tax return*.

A completed return shows how much you owe in federal income taxes. If the amount withheld from wages was larger than what was owed, you should claim a refund. If the withholding taxes paid were less than what you owed, you pay the difference.

### BUSINESS TIP

Self-employed people must estimate their income taxes for the year. They then pay part of that estimated tax each quarter.

**Gross income** is the total income in a year and includes income from wages, salaries, commissions, bonuses, tips, interest, dividends, prizes, pensions, the sale of stock, and profit from a business.

From gross income, you may be eligible to subtract *adjustments to income*. These include business losses, payments to approved retirement plans, alimony, and certain penalties. The amount left is called **adjusted gross income**.

**Adjusted Gross Income = Gross Income – Adjustments to Income**

From adjusted gross income you subtract the deductions and exemptions for which you qualify. The result is your taxable income. **Taxable income** is the income on which you actually pay tax.

**Taxable Income = Adjusted Gross Income – Deductions and Exemptions**

**Deductions** are expenses that reduce the amount of your taxable income. You may deduct interest paid on a home mortgage, property taxes, state and local income taxes, medical and dental expenses, casualty and theft losses, and contributions to charities. You may claim a fixed amount called a **standard deduction**. Or, if your actual deductions are more than the standard deduction, you list all your deductions on your tax return under *itemized deductions*.

An **exemption** is an amount of income per person that is free from tax. You may claim one exemption for yourself unless you are claimed as a dependent on another person's tax return. You can also claim one exemption for a spouse and one exemption for each dependent. For example, a couple with two dependent children can claim four exemptions. A single person with a dependent parent can claim two exemptions.

The amounts allowed for the standard deduction and exemptions change often. In this text, the standard deduction is \$4,700 for a person filing an income tax return as an individual and \$7,800 for married people filing a return together, or *jointly*. The amount used for each exemption is \$3,000.

### EXAMPLE 1

- a. Clara Shane is single and has a gross income of \$32,600. She pays \$2,600 into an approved retirement plan. Clara has deductions of \$6,900. She has one exemption for herself. What is her taxable income?
- b. Andy Cross and his spouse have a gross income of \$33,000. They file jointly. They make payments into an approved retirement plan of \$3,000. Their itemized deductions were only \$4,300. So, they will take the standard deduction of \$7,800. They claim two exemptions. What is their taxable income?

### SOLUTION

	a. Clara Shane	b. The Crosses
Gross Income	\$32,600	\$33,000
Adjustments to Income	<u>– 2,600</u>	<u>– 3,000</u>
Adjusted Gross Income	\$30,000	\$30,000
Deductions	<u>– 6,900</u>	<u>– 7,800</u>
	\$23,100	\$22,200
Exemptions	<u>– 3,000</u>	<u>– 6,000</u>
Taxable Income	\$20,100	\$16,200



## ■ CHECK YOUR UNDERSTANDING

- A. Tyronne Gilkey is single and has an adjusted gross income of \$65,000. Tyronne has deductions of only \$2,900 and so decides to take the standard deduction. He claims one exemption for himself. What is his taxable income?
- B. Alice Greer and her spouse have an adjusted gross income of \$50,000, file jointly. Their itemized deductions are \$8,500 and they claim three exemptions. What is their taxable income?

## BUSINESS TIP

The Tax Relief Act of 2001 gradually lowers the tax rates over a 6-year period. So, the tax tables will change often in that time. The method of finding your tax due does not, even though the tables change.

## ■ Income Tax Due

Employers withhold money for income taxes from employee paychecks during the year. The amount of tax paid in withholding is an estimate and is probably more or less than the tax the employee actually owes.

To find the tax due, you must complete a tax return. If too much withholding or self-employment tax has been paid, the government will pay back, or *refund* the difference. If too little tax has been paid, you must pay the difference to the government. If taxable income is less than \$100,000, a tax table must be used to find the tax. Parts of a recent tax table are shown below.

If your taxable income is—		And your filing status is—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your Tax is—					
<b>13,000</b>					
13,000	13,050	1,954	1,954	1,954	1,954
13,050	13,100	1,961	1,961	1,961	1,961
13,100	13,150	1,969	1,969	1,969	1,969
13,150	13,200	1,976	1,976	1,976	1,976
13,200	13,250	1,984	1,984	1,984	1,984
13,250	13,300	1,991	1,991	1,991	1,991
13,300	13,350	1,999	1,999	1,999	1,999
13,350	13,400	2,006	2,006	2,006	2,006
13,400	13,450	2,014	2,014	2,014	2,014
13,450	13,500	2,021	2,021	2,021	2,021
13,500	13,550	2,029	2,029	2,029	2,029
13,550	13,600	2,036	2,036	2,036	2,036
13,600	13,650	2,044	2,044	2,044	2,044
13,650	13,700	2,051	2,051	2,051	2,051
13,700	13,750	2,059	2,059	2,059	2,059
13,750	13,800	2,066	2,066	2,066	2,066
13,800	13,850	2,074	2,074	2,074	2,074
13,850	13,900	2,081	2,081	2,081	2,081
13,900	13,950	2,089	2,089	2,089	2,089
13,950	14,000	2,096	2,096	2,096	2,096

If your taxable income is—		And your filing status is—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your Tax is—					
<b>23,000</b>					
23,000	23,050	3,454	3,454	3,597	3,454
23,050	23,100	3,461	3,461	3,611	3,461
23,100	23,150	3,469	3,469	3,625	3,469
23,150	23,200	3,476	3,476	3,639	3,476
23,200	23,250	3,484	3,484	3,653	3,484
23,250	23,300	3,491	3,491	3,667	3,491
23,300	23,350	3,499	3,499	3,681	3,499
23,350	23,400	3,506	3,506	3,695	3,506
23,400	23,450	3,514	3,514	3,709	3,514
23,450	23,500	3,521	3,521	3,723	3,521
23,500	23,550	3,529	3,529	3,737	3,529
23,550	23,600	3,536	3,536	3,751	3,536
23,600	23,650	3,544	3,544	3,765	3,544
23,650	23,700	3,551	3,551	3,779	3,551
23,700	23,750	3,559	3,559	3,793	3,559
23,750	23,800	3,566	3,566	3,807	3,566
23,800	23,850	3,574	3,574	3,821	3,574
23,850	23,900	3,581	3,581	3,835	3,581
23,900	23,950	3,589	3,589	3,849	3,589
23,950	24,000	3,596	3,596	3,863	3,596

If your taxable income is—		And your filing status is—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your Tax is—					
0	5	0	0	0	0
5	15	2	2	2	2
15	25	3	3	3	3
25	50	6	6	6	6
50	75	9	9	9	9
75	100	13	13	13	13
100	125	17	17	17	17
125	150	21	21	21	21
150	175	24	24	24	24
175	200	28	28	28	28
200	225	32	32	32	32
225	250	36	36	36	36
250	275	39	39	39	39
275	300	43	43	43	43
300	325	47	47	47	47
325	350	51	51	51	51
350	375	54	54	54	54
375	400	58	58	58	58
400	425	62	62	62	62
425	450	66	66	66	66
450	475	69	69	69	69
475	500	73	73	73	73
500	525	77	77	77	77
525	550	81	81	81	81
550	575	84	84	84	84
575	600	88	88	88	88
600	625	92	92	92	92
625	650	96	96	96	96
650	675	99	99	99	99
675	700	103	103	103	103

To use a tax table, find your taxable income in the "At least . . . but less than" columns. Then read across that line to the column that shows the filing status: single, married filing jointly, etc. The amount where that line and column meet is your tax.

## EXAMPLE 2

- a. Bea O'Shea is single, has taxable income of \$13,200, and her employer deducted \$2,340 in withholding taxes for the year. Find Bea's tax due and any refund or amount owed. Use the tax tables shown on the previous page.
- b. Vince Tagliani is married and files a joint return. He and his wife had a taxable income of \$23,425 last year. The amount withheld from their wages was \$3,384 during the year. Find the tax due and refund or amount owed for the Taglianis. Use the tax tables.

### BUSINESS TIP

A head of household is an unmarried or legally separated person who pays more than half the cost of keeping a home for a dependent father, mother, or child.

### SOLUTION

	a. O'Shea	b. Taglianis
Income tax due from table	\$1,984	\$3,514
Amounts withheld during year	\$2,340	\$3,384
Tax owed	—	\$130
Refund due	\$356	—

### ■ CHECK YOUR UNDERSTANDING

- C. Bill Reston is single and has taxable income of \$13,576. His employer deducted \$2,184 in withholding taxes for the year. Find Bill's tax due and any refund or amount owed.
- D. Vera Yates is married and files a joint return. Vera and her spouse had a taxable income of \$23,901 last year. The amount withheld from their wages was \$3,224 during the year. Find their tax due and refund or amount owed.

## ■ Income Tax Refunds for Single Dependents

Many young, single people, such as students, are listed as dependents on someone else's income tax even though they are employed. They are required to pay income taxes on their earnings, even though the tax they actually owe is usually very low. That means that usually the federal income taxes withheld from their paychecks are greater than the federal income taxes they owe.

To claim a refund on taxes paid, you must file an income tax return. The rules for dependents filing returns are different than for people who are not dependents.

A dependent's income is grouped into two categories: earned income and unearned income. **Earned income** is from the dependent's own labor, such as wages, salaries, and tips. Everything else is **unearned income**, including interest and dividends.

A single dependent who is not blind and under 65 can claim as a standard deduction the higher of these two amounts:

- a. \$800
- b. The amount of earned income, plus \$250, up to \$4,700 (This is the standard deduction used in this text.)





### EXAMPLE 3

Jack Valente is a senior at Bayview High School and his parents claimed him as a dependent on their tax return. Jack worked last summer and earned \$2,385. His employer deducted \$320 in withholding taxes from his pay. Jack also earned \$302 in interest on his savings account and had no adjustments to income. Jack claimed the standard deduction. What was the amount of Jack's refund?

#### SOLUTION

Find the amount of allowable deduction:  $\$2,385 + \$250 = \$2,635$ .

Since  $\$2,635 > \$800$  and  $\$2,635 < \$4,700$ , Jack's allowable deduction is \$2,635

Find the amount of adjusted gross income:  $\$2,385 + \$302 = \$2,687$

Find the amount of taxable income:  $\$2,687 - \$2,635 = \$52$

Find the tax due or refund amount.

$\$320 - \$9 = \$311$  Jack's refund

#### MATH TIP

The symbol  $>$  means greater than. The  $<$  means less than.

#### ■ CHECK YOUR UNDERSTANDING

- E. Tina Moore is a junior who earned \$3,510 working at a card shop. Her employer deducted \$468 in withholding taxes. She has no adjustments to her income or additional income. Her mother claims her as a dependent. How much will Tina receive as a refund?
- F. Kim Chung worked for his uncle during the summer. He was paid \$2,897 but no withholding tax was deducted. He earned \$57 in interest on his savings account. He has no adjustments to his income and his parents claim him on their tax return. How much does he owe in federal income taxes?

### Wrap Up

Young, single, dependent people, such as students, often have federal income taxes withheld from their paychecks, even though they make very little money during a year. Most will pay only a small amount in income taxes and receive a refund when they file their tax return.

## COMMUNICATION

Write a brief paragraph you might include in an e-mail to a friend who works explaining why it is important for the friend to file a tax return.

There are three important guidelines that should be followed when sending e-mail.

1. Your e-mail should cover only one topic.
2. Your message should be brief.
3. Be courteous and professional in your message.

Remember, once the e-mail is sent, you cannot get it back.

## EXERCISES

### Find the sum.

1.  $\$2,683 + \$5,094 + \$94 + \$625$

2.  $\$8,262 + \$853 + \$493 + \$77$

### Find the difference.

3.  $\$4,228 - \$735$

4.  $\$63,163 - \$15,926$

5.  $\$73,997 - \$16,398$

6.  $\$125,370 - \$73,920$

### Find the product.

7.  $\$3,034 \times 7$

8.  $\$6,517 \times 23$

9.  $\$2,183 \times 7$

10.  $\$7,525 \times 18$



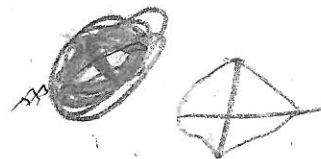
11. Bo and Dan Brady's income last year was: net income from business, \$35,838.67; dividends, \$2,312.98; interest, \$3,517.45; rental income, \$2,672. Adjustments to income totaled \$4,628.83. Find their adjusted gross income.
12. In one year, Nestor Ortiz's wages totaled \$29,450. His wife, Maria Gomez had a salary of \$31,572 and a bonus of \$500. The Gomezes also received \$2,519 in interest, and \$953.37 in dividends. They paid \$4,850 into a retirement fund and were penalized \$52 for removing money from a savings plan early. What was their adjusted gross income that year?

Dee Goer is single and had an adjusted gross income last year of \$16,457. Dee's itemized deductions were \$5,452 She claimed one exemption of \$3,000.

13. What was Dee's estimated taxable income?
14. What was Dee's actual taxable income?

In preparing their tax return, the Rossinis, a married couple, claimed 5 exemptions at \$3,000 each, and the standard deduction. Their adjusted gross income was \$45,208.

15. Estimate the Rossini's taxable income.
16. What was the Rossini's exact taxable income?



### Use the tax tables in this lesson to find the tax.

17. Beth and Ira Stein are married and file a joint tax return. Their taxable income is \$23,378. What is their tax?
18. Nicki O'Shea is 25 years old and is single. Her gross income last year was \$21,455 and her taxable income was \$13,926. Find her tax.
19. How much tax does a head of household with taxable income of \$23,798 owe?
20. Jim Bouche is married but is filing a separate tax return. His taxable income is \$23,624. Find the amount of his tax.
21. Tien Chou's tax return for last year shows a total tax of \$8,278. Tien's employer withheld \$8,450 from her wages during the year. What refund should Tien receive?
22. Kumar Panday paid \$16,118 in federal withholding. Kumar's total tax shown on his tax return was \$17,448. What amount of tax did he owe?

On his federal income tax return, Benito Silva, a single taxpayer, reported income from wages, \$25,820; tips, \$5,495; and interest earned, \$1,466. Benito had these adjustments to income: payments to a retirement plan, \$2,000; penalty for early withdrawal of savings, \$19. His employer withheld \$3,985 from his pay for federal income tax. Benito claims the standard deduction of \$4,700 and an exemption of \$3,000.

23. What was Benito's gross income?      24. Find the total of his adjustments to income.
25. Find Benito's adjusted gross income.      26. What was his taxable income?
27. What is his amount of tax due?      28. Does he owe or get a refund? How much?

*For Exercises 29–35, assume that each person claims the standard deduction, is under age 65, not blind, had no adjustments to income, and is listed on the parents' return as a dependent. Use the tax tables found in this lesson when needed.*

Find each dependent's standard deduction.

	Earned Income	Unearned Income	Standard Deduction		Earned Income	Unearned Income	Standard Deduction
29.	\$250	\$100		30.	\$1,950	\$600	
31.	\$4,875	\$300		32.	\$5,175	\$0	

33. Last summer, Troy Yaeger earned \$2,855. His employer withheld \$240 of his wages for income taxes. What is the amount of Troy's tax refund?
34. Carmen Reyes worked part time last year while attending college and earned \$4,288. The total withholding taxes she paid were \$450. Carmen also earned \$78 in interest and \$16 in dividends. How much tax refund should she receive?
35. Jon Kent's parents subtracted \$3,000 from their adjusted gross income when they listed him as an exemption on their tax return. Jon's taxable income was \$148. He paid \$277 in withholding taxes. What amount should he expect as a tax refund?
36. **DECISION MAKING** Molly and Dan Shashack claim one less withholding allowance than they are legally entitled to. They do this so that they always get a large refund when they file their federal income tax return. Is this a good idea? Why or why not?

## MIXED REVIEW

37. Find 11% of \$250.      38. Find  $\frac{1}{2}\%$  of \$4,800.
39. 180 is what percent less than 240?      40. What percent of \$90 is \$270?
41.  $432 \times 0.001$       42.  $9.053 \div 0.001$
43. Bea Rosenthal is single with a taxable income of \$23,616. Her employer withheld \$3,796 from her wages for income tax during the year. Using tax tables in this lesson, find how much her refund should be.
44. Jerry Blanchard sells computers. The average price of the computers is \$1,248. His rate of commission is  $12\frac{1}{2}\%$ . How many computers would he have to sell to make \$624 a week?

# 2.4

# State and City Income Taxes

## GOALS

- Calculate state and city income taxes using a flat tax rate
- Calculate state and city income taxes using a graduated tax rate table

## Start Up

What are the major uses of city, village, or town taxes in your area? If you live outside a city, village or town, what are the major uses of your county taxes? Make a list of services that your city, village, town, or county provides using tax money.



## Math Skill Builder

Review these math skills. Solve the exercises that follow.

- ① **Add** money amounts.

Find the sum.  $\$150 + \$280 + \$450 + \$580 = \$1,460$

1a.  $\$45 + \$108 + \$289 + \$310$

1b.  $\$308 + \$467 + \$589 + \$612$

- ② **Rewrite** percentages as decimals.

Rewrite 5.6% as a decimal.  $5.6\% = 0.056$

2a. 4.7%

2b. 7.14%

2c. 0.8%

2d. 14.9%

- ③ **Multiply** money amounts by decimals and **round** products to the nearest cent.

Find the product.  $\$54,109 \times 0.035 = \$1,893.815$ , or  $\$1,893.82$

3a.  $\$24,780 \times 0.07$

3b.  $\$47,090 \times 0.048$

3c.  $\$35,100 \times 0.127$

3d.  $\$249,410 \times 0.0345$

## ■ State and City Flat Income Taxes

Some states and cities tax personal income as a percent of federal taxable income. Some tax personal income as a percent of gross income. Some use a fixed, or **flat** tax rate no matter how much taxable income a person has. That is, the tax rate is the same for every person, regardless of the amount of income they earn in a year.

### EXAMPLE 1

Allyson Greve has calculated her federal taxable income to be \$45,300. She pays a state income tax rate of 3% on her federal taxable income. Find her state income tax.



**SOLUTION**

Rewrite the tax rate as a decimal rate:  $3\% = 0.03$

Multiply the federal taxable income by the decimal tax rate:  $\$45,300 \times 0.03 = \$1,359$

Allyson's state income tax is \$1,359.

### ■ CHECK YOUR UNDERSTANDING

- A. LaDonna Traube has to pay a city income tax of 1.5% of her federal taxable income. Last year her federal taxable income was \$34,100. What amount of city income tax did she pay?
- B. The state in which Angel Soto lives charges a 2.8% income tax based on a person's federal taxable income. If Angel's federal taxable income last year was \$29,900, how much state income tax did he pay?

## ■ State and City Graduated Income Taxes

Some states and cities use a *graduated* income tax rate like the federal government. In a graduated tax system, the tax rate gets higher as taxable income gets larger. A portion of a graduated tax rate schedule that might be used by a state is shown below.

For taxable income		
Over —	But not over —	The tax is —
\$ -0-	\$8,000	2% of taxable income
8,000	16,000	\$160 plus 3% of taxable income over \$8,000
16,000	24,000	\$400 plus 4% of taxable income over \$16,000
24,000	32,000	\$720 plus 5% of taxable income over \$24,000
32,000	40,000	\$1,120 plus 6% of taxable income over \$32,000
40,000	48,000	\$1,600 plus 7% of taxable income over \$40,000
48,000	56,000	\$2,160 plus 8% of taxable income over \$48,000
56,000	64,000	\$2,800 plus 9% of taxable income over \$56,000
64,000	72,000	\$3,520 plus 10% of taxable income over \$64,000

## COMMUNICATION

Which do you favor: A flat tax or a graduated tax? Your local government is considering charging an income tax on the taxable incomes of its citizens. Write a letter to your mayor in which you recommend either a flat income tax or a graduated income tax. Your letter should defend your choice of income tax.

## EXAMPLE 2

Your taxable income last year was \$25,800. What was your state income tax?

### SOLUTION

Find the income (\$25,800) in the table shown on the previous page. It is in the column for over \$24,000 but under \$32,000.

Find the tax on taxable income up to \$24,000: \$720

Find the taxable income over \$24,000:  $\$25,800 - \$24,000 = \$1,800$

Find the tax on \$1,800 at a tax rate of 5%:  $\$1,800 \times 0.05 = \$90$

Find the total state income tax on \$25,800:  $\$720 + \$90 = \$810$

### ■ CHECK YOUR UNDERSTANDING

- C. Jennifer Robler's taxable income last year was \$43,600. Use the table given on the previous page to find her state income tax.
- D. San-li Pyeon had a taxable income last year of \$38,200. Using the table given on the previous page, what is his state income tax?

## Wrap Up

Look back at your list of the uses of local taxes from the beginning of the lesson. Rate the importance of each of the services to you. Place a "1" next to the tax use that is most important to you, a "2" next to the next more important use, and so on.

## EXERCISES

### Find the sum.

1.  $\$120 + \$270 + \$375 + \$489$

2.  $\$240 + \$597 + \$812 + \$956$

### Rewrite as decimals.

3. 7.2%

4. 14.7%

5. 24.98%

6. 0.5%

- 7. Renatta Versan pays a city income tax of 3.7% on her taxable income. Her taxable income last year was \$58,390. What city income tax amount did she pay?
- 8. Jason Wiley lives in a state that charges an income tax of 4.52% on all taxable income. Last year Jason's taxable income was \$42,189. What state income tax did he pay that year?
- 9. In addition to federal and state income taxes, Rue Lange also has to pay a city income tax. The city income tax rate is  $2\frac{1}{2}\%$  of his taxable income. If his taxable income is \$2,345, what is his city income tax?
- 10. The City of Beacon charges its residents an income tax of  $\frac{1}{2}\%$  of their taxable income. Dora Feldman lives in Beacon and has taxable income of \$34,676. What is her city income tax?

For Exercises 11–18 use the graduated tax tables given.

11. Oren Bradley's taxable income last year was \$25,890. What was his state income tax?
12. Lea Kristen's state income tax return shows taxable income of \$39,350. What is the state income tax on that amount?
13. Wayne Delvica's income subject to state income tax is \$22,690. What is his state income tax?

**Bill Stark has taxable income of \$26,600. He pays a city income tax of 2% on taxable income in addition to state and federal taxes.**

14. What is Bill's city tax?
15. What is his state tax?
16. What is Bill's total city and state tax?
17. Ellen Donald pays city tax of 2.5% on taxable income, in addition to state income tax. Her taxable income last year was \$42,870. What was her total state and city income tax?
18. Helmut Schmidt pays a city income tax of  $2\frac{1}{4}\%$  on his taxable income of \$28,834. In addition, he pays both state and federal income taxes on the same taxable income. If his federal tax last year was \$4,538, what was the total of his federal, state, and city income taxes last year?

**INTEGRATING YOUR KNOWLEDGE** Alma Ruforio is a medical technician. Last year, her employer withheld \$520 from her wages for state income tax. When she prepared her tax return, Alma showed gross income of \$32,400 less \$4,700 as a standard deduction and one exemption for herself.

19. What was Alma's taxable income?
20. What was her correct state tax for the year?
21. How much is her refund or tax due?



## MIXED REVIEW

22.  $4\frac{2}{5} + 6\frac{1}{2}$
23.  $17\frac{1}{4} - 6\frac{1}{3}$
24.  $8\frac{1}{2} \times 5\frac{1}{3}$
25. The Carter's taxable income last year was \$43,780. They paid a state tax of 3.6% and a city tax of 1.35% on that income. What was the total of the state and city taxes they paid?
26. Terry Jansen works on a piece-rate basis. He completed 70 pieces on Monday, 68 on Tuesday, 74 on Wednesday, and 72 on Thursday. He is paid \$1.20 for each piece. How many pieces must he complete on Friday so that his earnings for the 5 days will average \$84 a day?
27. Valerie Bassett is paid 5% commission on all sales up to and including \$25,000, and 7% on all sales over \$25,000 in any month. Last month Valerie's sales were \$45,250. What was the amount of her total commission?
28. Last year the Pavlos earned \$72,800 from salaries. They also earned \$1,280 in interest and \$2,789 in dividends. The Pavlos paid \$6,240 into a retirement fund. What was their adjusted gross income for the year?