Decoding your tax bracket

The U.S. has a progressive tax system—different amounts of our income are taxed at different rates. That means you likely pay a lower percentage of your income in taxes than the tax bracket you fall into. Here's how it works.

Breaking down the brackets

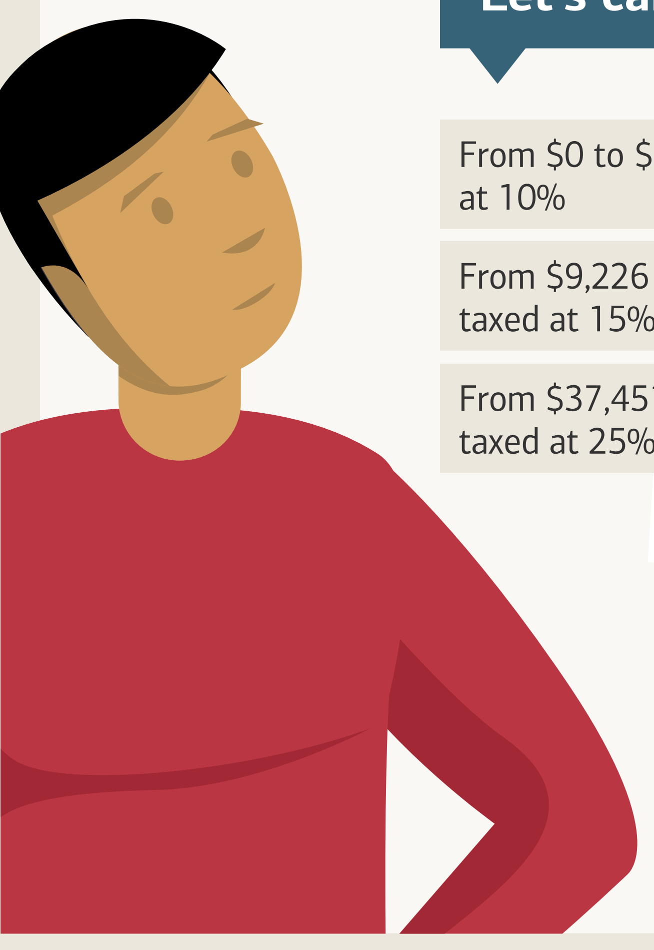
Each bracket of your income is taxed at a different rate. As you make more money, a higher percentage may be owed in taxes.

Tax rate	Taxable income, single filer	Taxable income, married with joint return
10%	< $9,225	< $18,450
15%	$9,226 to $37,450	$18,451 to $74,900
25%	$37,451 to $90,750	$74,901 to $151,200
28%	$90,751 to $189,300	$151,201 to $230,450
33%	$189,301 to $411,500	$230,451 to $411,500
35%	$411,501 to $413,200	$411,501 to $464,850
39.6%	$413,201 or more	$464,851 or more

IRS

So what does this mean?

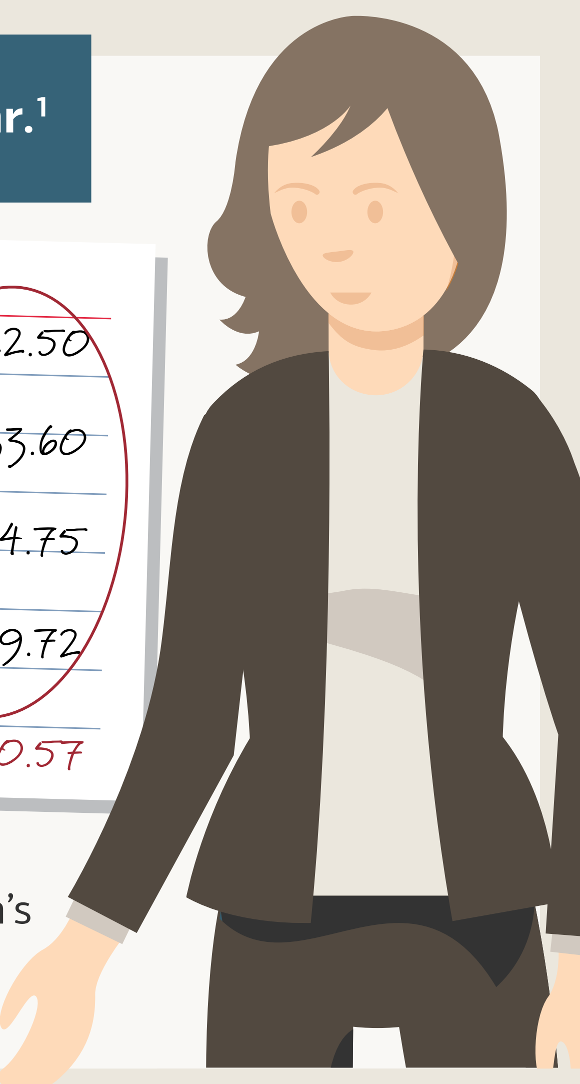
Joe is single and made $50,000 last year.[1] Let's calculate his taxes.



From $0 to $9,225, Joe is taxed at 10%	$9,225 x 10% = $922.50
From $9,226 to $37,450, Joe is taxed at 15%	$28,224 x 15% = $4,233.60
From $37,451 to $50,000, Joe is taxed at 25%	$12,549 x 25% = $3,137.25
	TOTAL TAX = $8,293.35

Joe's marginal tax rate—the rate he pays on his top bracket—**is 25%.** But in reality, Joe's tax bill—**his effective tax rate—is just 17%** **of his taxable income.**

Lisa is single and made $100,000 last year.[1]



From $0-$9,225, Lisa is taxed at 10%	$9,225 x 10% = $922.50
From $9,226 to $37,450, Lisa is taxed at 15%	$28,224 x 15% = $4,233.60
From $37,451 to $90,750, Lisa is taxed at 25%	$53,229 x 25% = $13,324.75
From $90,751 to $100,000, Lisa is taxed at 28%	$9,249 x 28% = $2,589.72
	TOTAL TAX = $21,070.57

Lisa's marginal tax rate is 28%. But in reality, Lisa's tax bill gives her an **effective tax rate of 21%.**

Say Lisa and Joe fall in love and get married. They decide to file a joint tax return, with a combined taxable income of $150,000.

The first $18,450 they made is taxed at 10%	$18,450 x 10% = $1,845
From $18,451 to $74,900 is taxed at 15%	$56,449 x 15% = $8,467.35
From $74,901 to $150,000 is taxed at 25%	$53,229 x 25% = $18,774.75
	TOTAL TAX = $29,087.10

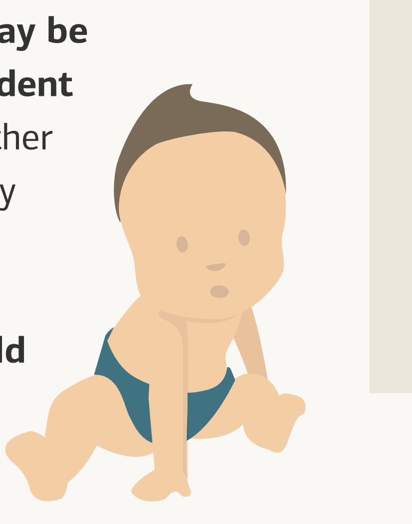
If they were married but filing separately, Joe and Lisa would have paid a combined $29,363.92. **Filing jointly saves them more than $275,** sometimes referred to as a **"marriage benefit."**

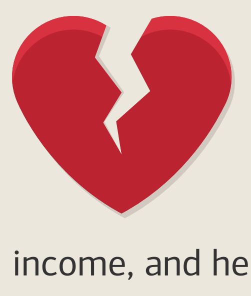
If Joe and Lisa's tax bill had been higher as a married couple filing jointly, the extra funds owed would be referred to as a **"marriage penalty."**

But that's not all...

Different credits, deductions and exemptions based on life events could affect Joe and Lisa's tax bill.

If they start a family, their taxable income may be reduced by dependent exemptions and other deductions, and they may be entitled to **child care credits. Their tax bill would likely shrink.**





If they divorced and Lisa paid Joe alimony,[2] those payments would be subtracted from her income, and her taxable income would shrink. Likewise, **his taxable income would increase.**

[1] For simplicity, we assume that in our examples, salary is equal to taxable income, which is the amount you pay taxes on.
[2] Alimony payments are subject to certain requirements.

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