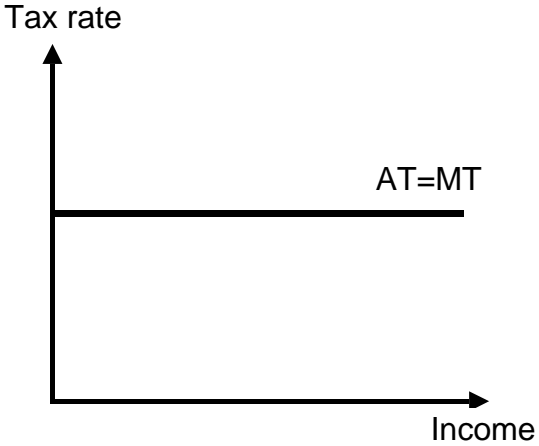
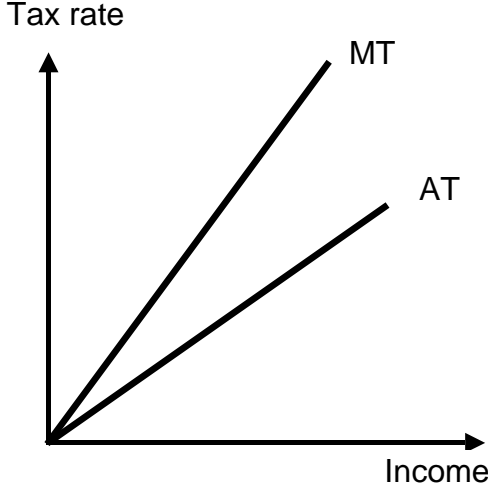
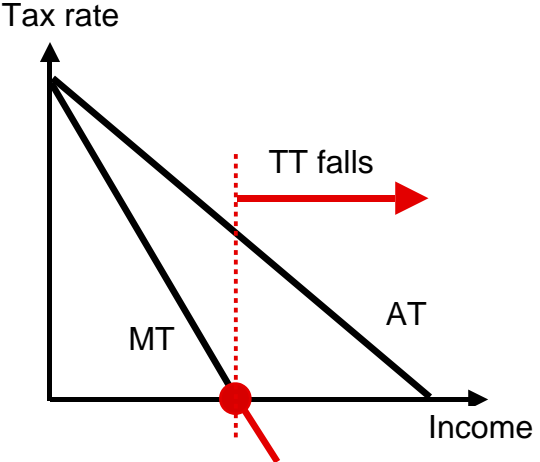


Income Tax (proportional, progressive, regressive)

Preliminary remarks

- Normally, income taxes are **progressive**.
- Normally, tax rates are fixed within brackets of income. Here, we assume that rates can be changed continually due to changing incomes.
- Abbreviations: AT = Average tax rate, MT = Marginal tax rate, TT = Total tax (paid by a taxpayer)

1 Proportional tax	2 Progressive tax	3 Regressive tax
 <p>The graph shows a horizontal line labeled 'AT=MT' on a coordinate system where the vertical axis is 'Tax rate' and the horizontal axis is 'Income'.</p>	 <p>The graph shows two lines starting from the origin on a coordinate system where the vertical axis is 'Tax rate' and the horizontal axis is 'Income'. The steeper line is labeled 'MT' and the shallower line is labeled 'AT'.</p>	 <p>The graph shows two downward-sloping lines starting from the vertical axis on a coordinate system where the vertical axis is 'Tax rate' and the horizontal axis is 'Income'. The steeper line is labeled 'MT' and the shallower line is labeled 'AT'. A red dot is placed on the x-axis at the point where the MT line intersects it. A vertical dashed red line extends from this point to the AT line, and a red arrow points to the right from this intersection, labeled 'TT falls'.</p>
<p>The tax rate is constant and independent of income:</p> <ul style="list-style-type: none"> • AT and MT are constant. • TT rises in proportion to income. 	<p>The tax rate is dependent on income (higher income → higher tax rate):</p> <ul style="list-style-type: none"> • AT and MT rise. • TT rises, too (higher income → higher TT). 	<p>The tax rate is dependent on income (higher income → lower tax rate):</p> <ul style="list-style-type: none"> • AT and MT fall. • TT rises (higher income → higher TT) until MT = 0, then falls (higher income → lower TT)