

You Decide: Can We Agree on Some Tax Concepts?

By Dr. Mike Walden: Taxes are almost always a big part of political elections. Questions about who pays taxes, whether taxes are too high or too low, and complexities in the tax system are usually parts of debates and campaign ads. Most ads are not educational, in that the purpose is to not teach about tax concepts and how they work. Instead, the ads are designed to promote a candidate's position with the goal of gaining voters' support.

I understand that, but here I do want to take the educational route and provide some information and context to tax concepts. Hopefully I'll be able to provide background that better enables you to decide if you favor or oppose various tax proposals. I'll use concepts from the federal income tax and Social Security tax since these are the largest taxes paid by most people.

Federal Income Tax Rate: The tax rate of the federal income tax is the percent of taxable income (defined below) paid in taxes. For example, if your taxable income is \$10,000 and the tax rate is 25 percent, you pay \$2500 in taxes.

However, there is not one tax rate; there are seven. Each rate applies to a specific range of your taxable income. For example, the lowest 10 percent rate is paid on taxable income from \$0 to \$19,750 for a married couple, while the highest rate of 37 percent is paid on taxable income above \$622,050 (there are slightly different rates for single person taxpayers). Every taxpayer, regardless of her or his taxable income, has their income sliced into the seven ranges with the corresponding tax rate applied.

Many tax proposals focus on the highest tax rate (today 37 percent). People who want the richest taxpayers to pay more argue to increase the rate. Opponents worry raising the highest rate could backfire by reducing the motivation of rich taxpayers to earn, spend and hire workers.

Taxable Income: Federal taxable income is your income – mostly from working and investing – minus the deductions you are allowed to take. And what are these deductions? They are expenditures made by a taxpayer that Congress and the President – who jointly approve the tax code – want to encourage. A good example is interest paid on a home loan, as well as many others related to education, saving for retirement and health care.

For taxpayers who don't have any of these favored expenditures, there is the "standard deduction". Taxpayers only use the deductions they are entitled to (called "itemization") if their sum is greater than the standard deduction.

Business owners have an entirely separate set of deductions related to their costs, investments, profits and losses. There's been a long-standing debate about the fairness of some business deductions that can result in modest taxes paid by high-income owners.

One way for a candidate to support a particular type of spending is to propose a tax deduction for it or to expand an existing deduction. Sometimes a candidate will want to limit a deduction to taxpayers making under a specified level of income so as to focus the benefit on those earners.

Tax Credits: Tax credits are the "gold standard" for reducing a tax bill. Like tax deductions, tax credits are based on spending favored by the tax code. Unlike tax deductions, tax credits reduce taxes dollar for dollar with the favored spending. This can mean a tax reduction 3 to 10 times more than for a comparable tax deduction.

There are a variety of tax credits related to child care, renewable energy, health care, education and others. If a politician really, really, really wants to support a particular kind of spending, a tax credit for that spending will be proposed.

Social Security Income Limit: Social Security is the federal program that pays a retirement pension for most workers. The program is funded by taxing the earnings of workers, with both the worker and employer paying a tax rate of 6.2 percent, for a total tax rate of 12.4 percent.

Sounds simple enough, right? Not really. There is controversy over the fact there's an income limit to which the 12.4 percent tax rate is applied. This year that limit is \$137,700. What this means is that after a worker's income reaches \$137,700, the worker is done paying Social Security taxes. Is this fair? Actually, there is a logic to the limit. Workers with higher earnings while working receive higher Social Security pensions when retired. But after a certain level of earnings is reached, pension payments don't increase. The two limits are the same - \$137,700 this year. Workers don't pay additional Social Security taxes on earnings above \$137,700 because their pension benefits don't change when earnings rise above \$137,700.

Still, with Social Security facing a funding crisis in another decade, there are advocates who want those earning over \$137,700 to pay more Social Security taxes without seeing their benefits increased. Opponents see this moving Social Security to more of a welfare system and perhaps losing public support.

There are many more tax concepts – these were just some top ones. Hopefully my commentary will help you decide where you stand on each one.

Walden is a William Neal Reynolds Distinguished Professor and Extension Economist in the Department of Agricultural and Resource Economics at North Carolina State University who teaches and writes on personal finance, economic outlook and public policy.

COVID-19 Information

To stay up to date on COVID-19 in North Carolina, visit ncdhhs.gov/coronavirus or text COVIDNC to 898211. Call 2-1-1 (or 888-892-1162) for general questions or for help finding human services resources in your community.

For a national perspective, visit the Centers for Disease Control and Prevention website at www.cdc.gov.

For a world-wide perspective, visit the World Health Organization website at www.who.int.

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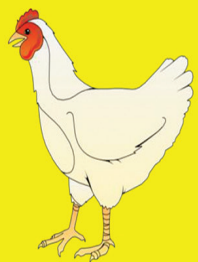
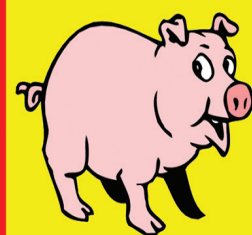
13380 Hwy. 742 N. * Polkton, NC 28135

November 7th Beginning at 10 a.m.

Drive Through Options

All plates include either pork or chicken, slaw, beans, a roll, & dessert.

Pork Plate:	\$11.00
Chicken Plate:	\$11.00
Bulk Pork (~1 lb):	\$ 8.00
½ Chicken (no sides):	\$ 5.00
Sandwich (no sides):	\$ 4.00
Bulk Beans:	\$ 4.00
Bulk Slaw:	\$ 4.00



* All events are subject to change because of the COVID-19 situation. You may want to seek confirmation of events.

Church News

NOVEMBER 7

Collard Green

Sandwich Sale

Hwy 52 in downtown Ansonville, 11am until with seasoned collard greens, buttery cornbread & fatback for \$8. Also sausage dogs, hot dogs & chicken wings! Sponsored by Rocky Mount AME Zion. Info 704-465-6882

ONGOING

HOPE Grief

Support Group at Harmony Community Church, meets Tuesdays at 6:30pm offering help for those feeling grief or loss. Free & confidential. Info & register 704-272-7127 or 704-242-2499. Located at 1984 Pulpwood Yard Rd in Peachland

Bible Study

And Intercessory Prayer at Wadesboro Church of God, 6:15pm. Currently studying the life of Christ

Virtual Services

At Church of Jesus Christ of Latter-Day Saints. Sundays 11-11:30am with Zoom: www.zoom.com or use Zoom app, click "join a meeting" and enter Meeting ID: 385 789 5966 Password: 699988. Or join via Zoom audio: 646-876-9923, same Meeting ID & Password. Questions & info 704-690-7577

Prayer Walk for Revival & Awakening, 8am every Saturday at Anson County Courthouse by United Hearts on Fire. Praying for county, state & nation

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Owner: Robbie Henry

ADVERTISE HERE! Call The Express to find out how...704-694-2480

Events

NOVEMBER 7

Rabies Vaccinations Only \$6 at Brown Creek Animal Hospital, Hwy 74 in Polkton, 2-5pm. Sponsored by Anson County Health Department

NOVEMBER 21

Event Cancelled Senior Thanksgiving Fellowship Dinner at Harmony Community Church has been cancelled due to COVID-19

ONGOING EVENTS

Al-Anon Family Groups

Support for Family & Friends, Al-Anon Family Groups meets Thursdays, 8pm at AA Building, 2177 Country Club Rd in Wadesboro, between Wadesboro Health and Rehabilitation & Twin Valley Golf Club

Free Food Distributed by Anson Crisis Ministries

Every Monday, Tuesday, Wednesday & Friday, 8am-1pm. It is located at 117 North Rutherford Street in uptown Wadesboro. Telephone is 704-694-2445

Food Commodities

Food Distributed Free every Wednesday at 9am & 2nd Saturday of each month at 9am at Burnsville Recreation & Learning Ctr, Hwy 742N across from Burnsville Fire Dept. Info 704-826-8182

Food Pantry

Free food every Wed, 9-11am at Burnsville Recreation & Learning Ctr. 704-826-8182

Uptown Wadesboro, Inc. Brick Paver Fundraiser

Uptown Wadesboro, Inc. is again offering the opportunity to purchase laser-engraved brick pavers to honor the memory of someone special, recognize an organization, a business or high school graduating class. The pavers will be placed at the location of your choosing in the uptown area as a lasting tribute.

The bricks come in two sizes, the four-inch brick will accommodate three lines of print and costs \$50, and the eight-inch brick will allow for six lines of print and costs \$100. Clip art may also be added to enhance your brick for free.

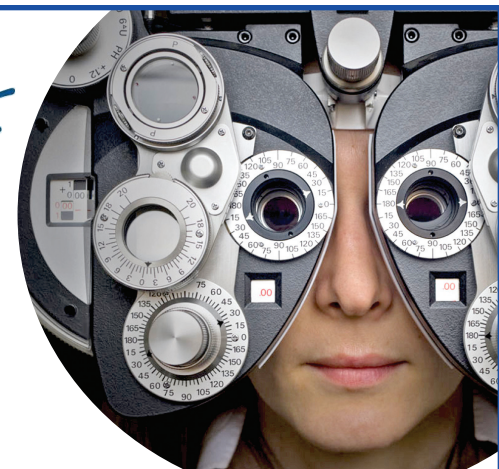
You may download the Brick Paver Order Form by going to www.uptownwadesboro.com and click on Brochures and Registration Forms and then look for the Brick Paver Form. You may also pick up a form at the REV Uptown, located at 114 West Wade Street.

For more information please call the Uptown Wadesboro office at 704-694-4181 ext. 3.

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