

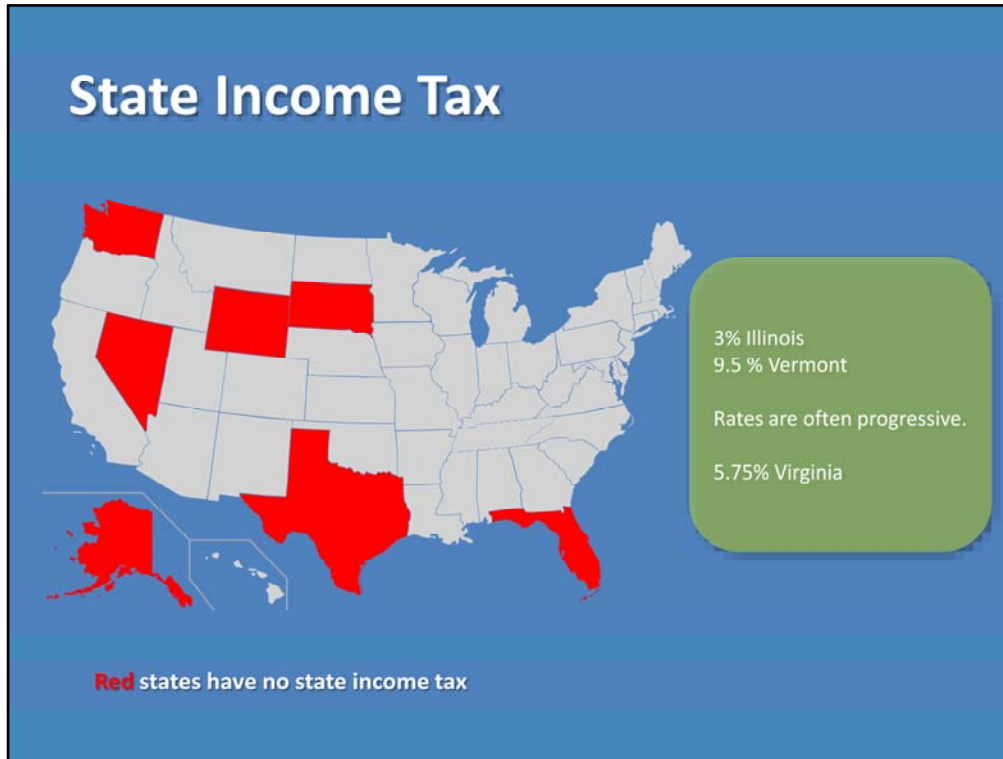
We learned earlier that the right of the federal government to tax was written in the Constitution when it was created. What about the states?

When our Constitution was adopted, the states were given complete authority to assess taxes on their citizens and on activities that occur within their borders, so long as those taxes do not infringe on any power reserved for the Federal Government, or create taxes that are forbidden by the Constitution or their own state constitution.

Types of State Taxes



Today, states collect money in a variety of ways to provide services to their citizens. Among the common types of taxes that many states impose are personal income tax, corporate income tax, sales tax, and real property tax. Throughout the 1930s and 1940s, many states started collecting personal income tax and sales tax because additional revenue was needed to finance public services.



State income taxes are just like federal income taxes, except the revenues go to fund state governments. Most states, but not all, have income taxes. This map shows states with no income tax.

Among states that do have this tax, it varies greatly from a low of three percent in Illinois to nine point five percent in Vermont. Like the federal income tax, these rates are often progressive: the more you make, the more you pay. For example, Vermont's rate only applies to those people making over three hundred and fifty thousand dollars a year. People who make under thirty-two thousand dollars pay three point six percent.

Virginia's state income tax is about average and ranges from two percent to five point seven five percent, however, it is more of a proportional tax because this rate applies to everyone who makes over seventeen thousand dollars a year. For married persons filing joint returns, the rates remain the same but the income brackets are doubled.

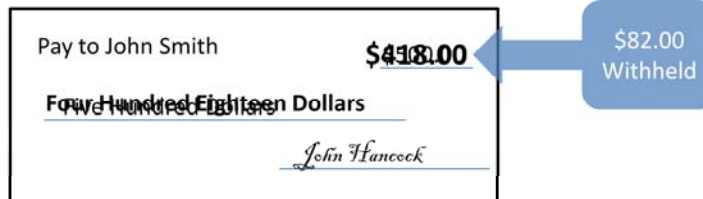
State Income Tax

Questions ▾

If you earned \$18,217 last year, how much state income tax do you owe?
Use the [Virginia income tax schedule](#) to find out.

- \$801
- \$791
- \$535
- \$663

Withholding



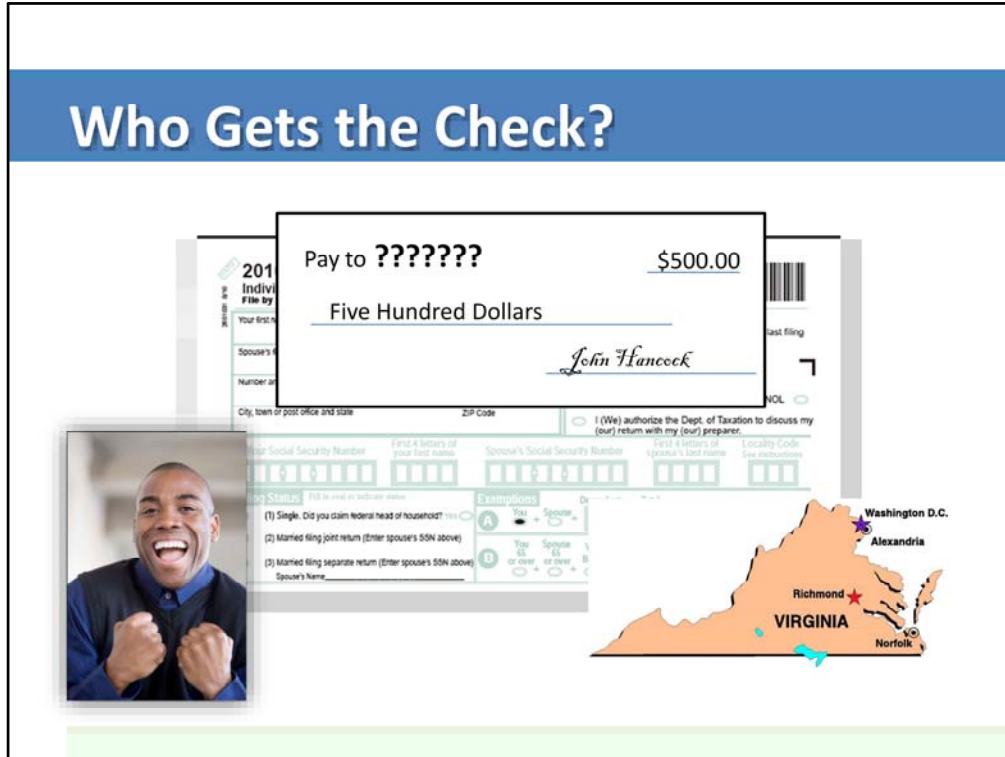
How much to withhold from each paycheck?

Based on earnings, the employer calculates the amount to withhold based on your gross pay, exemptions and deductions claimed, pay frequency, etc.

Anyone who's ever received a paycheck knows that you don't get to keep all the money you earn. A certain percentage is withheld to pay different taxes. That way, the employee won't have to pay a huge tax bill at the end of the year, and the government gets a steady stream of money throughout the year to fund its activities.

How do employers determine how much to withhold from each paycheck? Withholding amounts are calculated using a number of variables including your earnings, how often you're paid, your personal and dependent exemptions, and other exemptions based upon whether you are over 65 and and/or blind. The employer forwards that money to the state government.

Who Gets the Check?



When you file your state income taxes, you'll find out whether you had your employer withhold too much, or too little of your paycheck.

Once a year, you have to calculate the amount of state taxes you actually owe, based on how much money you made and how many people depend on your income for support. You then compare what you owe, to what your employer withheld throughout the year. You want to know "Did I pay too little or too much?" The answer to this question is in the form of a check! Either you send a check to the state with the additional amount you owe, or the state sends a check to you because you paid too much.

Virginia Sales Tax

Gas Tax: 20.0 cents/gallon Diesel Fuel Tax: 20.2 cents/gallon	Cigarette Tax: 30 cents/pack of 20
Sales Tax: 5%	Food Tax: 2.5 %

Besides state income taxes, the Commonwealth of Virginia also collects a variety of sales taxes. The merchant is responsible for collecting and submitting to the state the sales tax collected. Also, the tax must be stated separately (or implicitly added at the time of sale) to consumers.

Virginia currently has a sales tax of five percent. That means whatever qualifying purchases you have, you must pay the sales tax on those purchases.



Not all states have a sales tax. Each state determines whether to have a sales tax, and what items are taxed. This map shows states with no sales tax.

Select the link to see sales tax percentages for each state
(<http://www.taxfoundation.org/taxdata/show/245.html>)

Sales Tax

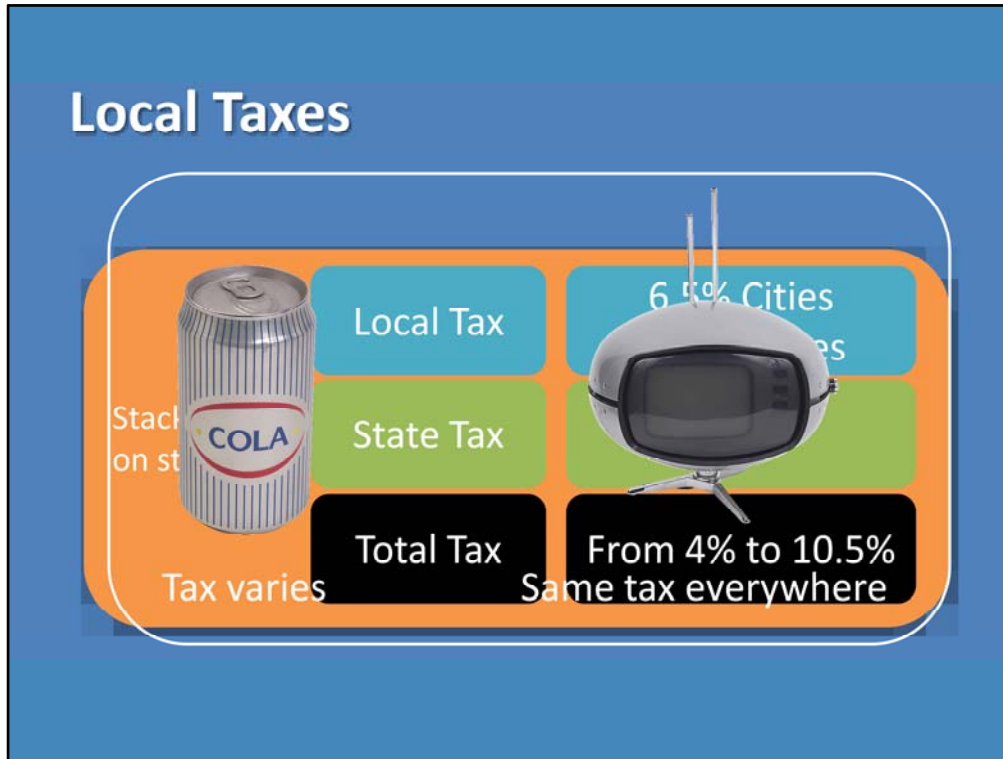
Questions

You go to the store to buy a video game, and a new nunchuck controller for your game console.

Your total bill before tax is \$49.25. What's the total bill including Virginia sales tax?

- \$53.22
- \$50.34
- \$51.71
- \$52.39

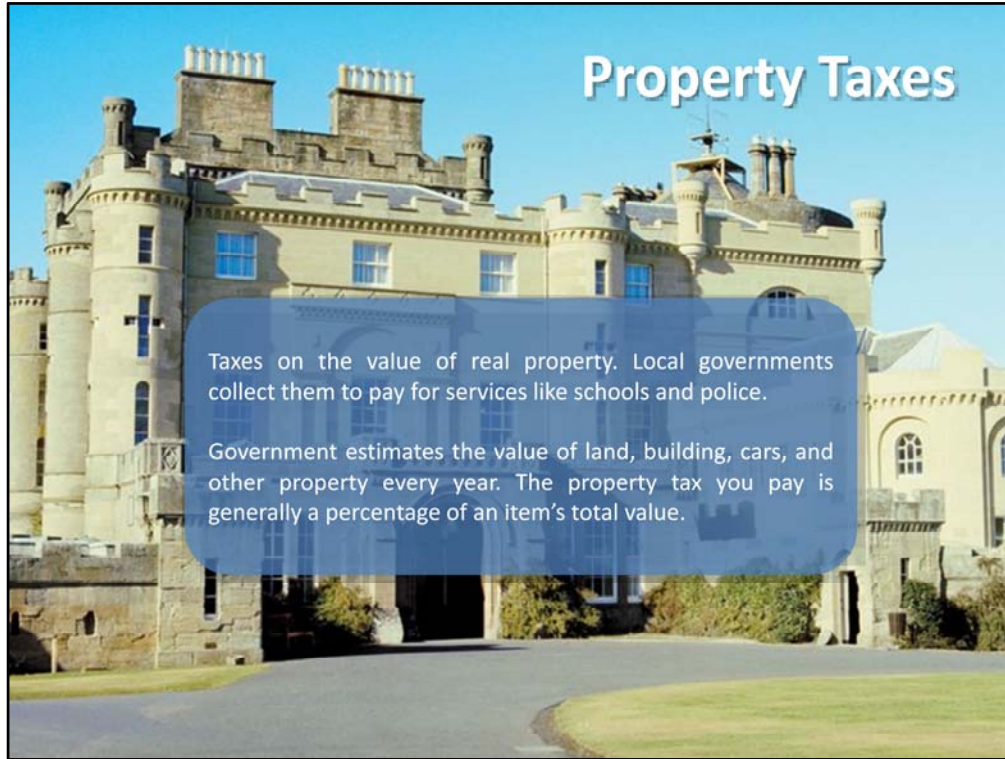
Local Taxes



So, we have talked about federal and state taxes. What about cities and counties? Where does their money come from?

For one, local governments add or “stack” their own tax onto some state taxes that are already in place. What does that mean? Local governments are allowed to implement a food and beverage tax up to six point five percent for cities, and four percent for counties.

If you go to 7-Eleven and buy a Big Gulp® in Norfolk, the sales tax might be different than if you bought it in Suffolk. Note that Virginia local governments cannot increase the sales tax for other non-food items; they are limited to one percent. This means the sales tax for things like TVs is the same regardless of where you buy it in the state.



Taxes on the value of real property are called property taxes. Local governments collect them to pay for services like schools and police.

The government estimates the value of land, building, cars, and other property every year. The property tax you pay is generally a percentage of an item's total value. The most common examples of personal property are cars, which go down in value every year, and houses, which usually go up, but other items like boats and motorcycles are also subject to a tax.

Property Tax

Questions

In the City of Virginia Beach, real estate taxes are assessed by the City Assessor's Office. The current real estate tax rate is \$ 0.89 per \$100.00 of the assessed value. This means that for every \$100.00 that your property is worth, you pay \$ 0.89 tax.

In 2009, the City Assessor's Office assessed your home at \$250,000.00. In order to determine your tax bill, divide \$250,000.00 by 100, and then multiply the result by \$ 0.89. Your tax bill is \$2,225.00

Now, let's say that in 2010 the City of Virginia Beach lowers the tax rate to \$ 0.80 per \$100.00 of the value of your house due to the economy. The value of your house value hasn't changed. What will be your new tax bill?

- \$1,750.00
- \$2,000.00
- \$2,250.00

Tangible Personal Property Taxes



CITY OF NORFOLK, VIRGINIA
 1 C Money - CITY TREASURER
 PO BOX 987
 Norfolk, VA 23510
PERSONAL PROPERTY BILL

Doe, John
 123 Home Avenue
 Norfolk, VA 23505

Bill Number: 56789
 Bill Date: 05/05/2008
 Due Date: 06/05/2008

Tax Code Explanation	Tax Rate per \$100 of Assessed Value
10 Regular Vehicle	4.25

Account #: 5432
 Customer: Doe, John
 123 Home Avenue
 Norfolk, VA 23505

Tax Code	Tax Year	Identification Number	Description	Period of Ownership	Assessed Value	Assessed Tax/Fee	Penalty/Interest	Tax Relief	Amount Due
10	2008		2005 JEEP Wrangler	01/01/2008 12/31/2008	13675.00	581.19 26.00	0.00 0.00	325.47	255.72 26.00

Sub-totals								325.47	281.72
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Misc. Fees 0.00

Credits

Total Due 281.72

For questions concerning your assessment, please contact the Commissioner of Revenue:

Personal Property 757-123-7654
 Business Personal Property 757-123-7655
 or visit: www.norfolk.gov/Revenue

For questions concerning your bill, please contact the Treasurer:

Main Office 757-123-7777
 Delinquent Tax 757-123-7778
 Licenses Fee 757-123-7779
 Or visit: www.norfolk.gov/Treasurer

Your cancelled check will serve as your receipt. If you would like a receipt, please enclose a self-addressed, stamped envelope and return entire bill with your payment.

Sample

Tangible personal property is a business tax that is assessed at the local level and is based on a percentage or percentages of an item's original cost. Tangible personal property includes, but is not limited to, machinery and equipment, furniture, fixtures and trucks and automobiles.

Property Tax

Questions

In the City of Norfolk, autos, trucks, motorcycles and utility trailers are assessed on a prorated basis using the [National Automobile Dealers Association \(NADA\) Blue Book](#) value. Currently, the charge is \$4.25 per \$100.00.

Let's say you live in Norfolk and own a 2008 Toyota Corolla that is valued at \$13,500.00. How much is your personal property tax bill? (Hint: It is calculated like the previous example for real estate.)

- \$454.98
- \$533.56
- \$573.75
- \$611.45