



The **Marginal Tax Rate** and **Effective Tax Rate** are two different concepts in taxation:

1. Marginal Tax Rate

- The tax rate applied to the last dollar of income earned.
- It corresponds to the tax bracket you fall into.
- Since most tax systems are progressive, higher income levels are taxed at higher rates.
- Example: If the tax brackets are 10%, 20%, and 30%, and your last dollar falls in the 30% bracket, your **marginal tax rate is 30%**.
- SEE LAST PAGE for 2024 – the MARGINAL TAX RATE

2. Effective Tax Rate

- The average percentage of total income taxes paid as a percent of your total taxable income
- It is calculated as:

Effective Tax Rate = Total Taxes Paid divided by Total Taxable Income

EXAMPLE. An individual who paid \$25,000 in taxes, and had a taxable income of \$100,000 has an Effective Tax Rate of $25,000/100,000 = 25\%$.

- The Effective tax rate is always lower than the Marginal tax rate

WHY DOES IT MATTER?

Individuals who can shift their taxable earnings into a different tax year (specifically entrepreneurs) may want to review the charts in advance to project their marginal tax rate. If their additional income would push them into a higher bracket, they might want to postpone declaring the income so that they remain in the lower bracket.

Individuals considering additional work may want to be conscious that by taking on the additional work they will increase their taxable income and may push themselves into a higher Marginal Tax bracket.

Individuals who want to prepare a cash flow statement to budget their expenses can use their Effective Tax Rate to estimate their tax expenses.

MONEY 101 EDUCATION

6.41 Understanding the difference between Marginal vs. Effective Tax Rate and 2024 tax tables)

Schedule X—If your filing status is Single

If your taxable income is:		The tax is:	
<i>Over—</i>	<i>But not over—</i>		<i>of the amount over—</i>
\$0	\$11,600	..... 10%	\$0
11,600	47,150	\$1,160.00 + 12%	11,600
47,150	100,525	5,426.00 + 22%	47,150
100,525	191,950	17,168.50 + 24%	100,525
191,950	243,725	39,110.50 + 32%	191,950
243,725	609,350	55,678.50 + 35%	243,725
609,350	.....	183,647.25 + 37%	609,350

Schedule Y-1—If your filing status is Married filing jointly or Qualifying surviving spouse

If your taxable income is:		The tax is:	
<i>Over—</i>	<i>But not over—</i>		<i>of the amount over—</i>
\$0	\$23,200	..... 10%	\$0
23,200	94,300	\$2,320.00 + 12%	23,200
94,300	201,050	10,852.00 + 22%	94,300
201,050	383,900	34,337.00 + 24%	201,050
383,900	487,450	78,221.00 + 32%	383,900
487,450	731,200	111,357.00 + 35%	487,450
731,200	.....	196,669.50 + 37%	731,200

Schedule Y-2—If your filing status is Married filing separately

If your taxable income is:		The tax is:	
<i>Over—</i>	<i>But not over—</i>		<i>of the amount over—</i>
\$0	\$11,600	..... 10%	\$0
11,600	47,150	\$1,160.00 + 12%	11,600
47,150	100,525	5,426.00 + 22%	47,150
100,525	191,950	17,168.50 + 24%	100,525
191,950	243,725	39,110.50 + 32%	191,950
243,725	365,600	55,678.50 + 35%	243,725
365,600	.....	98,334.75 + 37%	365,600

Schedule Z—If your filing status is Head of household

If your taxable income is:		The tax is:	
<i>Over—</i>	<i>But not over—</i>		<i>of the amount over—</i>
\$0	\$16,550	..... 10%	\$0
16,550	63,100	\$1,655.00 + 12%	16,550
63,100	100,500	7,241.00 + 22%	63,100
100,500	191,950	15,469.00 + 24%	100,500
191,950	243,700	37,417.00 + 32%	191,950
243,700	609,350	53,977.00 + 35%	243,700
609,350	.....	181,954.50 + 37%	609,350