# LAB EXERCISE

## IRS

<u>**Background:**</u>

Federal income tax rates can be calculated using tax rate schedules. The following are tax rates for two out of the four categories used by the IRS in 2001:

Schedule X - Single

If your taxable income is:

| over - | but not over - | your tax is | of the amount over - |
|---|---|---|---|
| $ 0 | $ 27,050 | 15 % | $ 0 |
| 27,050 | 65,550 | $ 4,057.50 + 27.5 % | 27,050 |
| 65,550 | 136,750 | $ 14,645.00 + 30.5 % | 65,550 |
| 136,750 | 297,350 | $ 36,361.00 + 35.5 % | 136,750 |
| 297,350 | --------- | $ 93,374.00 + 39.1 % | 297,350 |

Schedule Y-1 - Married filing jointly

If your taxable income is:

| over - | but not over - | your tax is | of the amount over - |
|---|---|---|---|
| $ 0 | $ 45,200 | 15 % | $ 0 |
| 45,200 | 109,250 | $ 6,780.00 + 27.5 % | 45,200 |
| 109,250 | 166,500 | $ 24,393.75 + 30.5 % | 109,250 |
| 166,500 | 297,350 | $ 41,855.00 + 35.5 % | 166,500 |
| 297,350 | --------- | $ 88,306.00 + 39.1 % | 297,350 |

> To test your understanding, follow this example of a single person with taxable income of $68,000:
> Tax is 14645 + 0.305*(68000-65550) = 14645+745.25 = $15392.25

<u>**Assignment:**</u>

1. Write a program that:

   a. Prompts the user for the following information:

      Filing status : single or married
      Taxable income

   b. Calculates and prints

      Filing status
      Taxable income
      Federal tax

2.  Your program should be written using proper modular design (two source files) and parameter passing.  Use the handout H.A.8.1 as a model.  Your instructor will give you more guidelines if you have questions.

3.  Example run output:

    Single
    Taxable income = $ 35,125
    Federal tax = $ 6,630.50

**Instructions:**

1.  Complete the working program to the screen and verify the calculations.  Use the values given above.

2.  Input test data, call instructor to your workstation for scoring.

3.  Use these values for your run output:

    | | |
    |---|---|
    | Single, $15,500 | (Fed Tax is $2,325.00) |
    | Single, $100,000 | (Fed Tax is $25,152.25) |
    | Married, $50,000 | (Fed Tax is $8,100.00) |
    | Married, $125,000 | (Fed Tax is $29,197.50) |