Last week, I promised you an opportunity to gauge your understanding of the consequences of Congress failing to extend current tax rates before the year ends. Well, below you will find a short multiple choice quiz to assist you in testing that understanding. Good luck!

1) Currently there is no Death Tax. However, on January 1, 2011, the Death Tax will come back at a rate of:

a) 55% of all family assets over $1 million. (This is not indexed for inflation, so the "value" of that $1 million exemption will drop over time.)
b) 45% of family assets over $3.5 million. (Indexed for inflation.)
c) Zero, if you are a member of a government employee union; and 95% if you are not.
d) Death will be made illegal, and will be punishable by confiscation of all assets of those who violate the law.
e) Your tax will be inversely proportional to your global warming carbon footprint.

2) Currently, the highest individual tax rate on dividend income received from a corporation is 15%. This is after the corporation has paid 35% tax on the income before paying the dividend. So, under current law, if a company earns a dollar, investors get to keep 55 cents after federal taxes, but still will pay state taxes. Under the tax increases scheduled to occur by 2013, the amount of a dollar that shareholders will get to keep after top bracket federal taxes and California state taxes is:

a) 2 cents
b) 28 cents
c) 40 cents
d) 50 cents
e) Nobody will pay dividends anymore. So, who cares?

3) It is well known that taxes will increase on incomes of the "wealthy" and the "middle class", no matter how you might choose to define those groups. But, taxes will also increase for people with taxable incomes as low as:

a) $64
b) $5
c) $10,000
d) Taxes will increase for everybody - unless you are here illegally, in which case no taxes are due.

4) A married couple with a joint taxable income of $110,000 will pay how much more in federal taxes next year if the current rates are not extended?

a) $110,000
b) It doesn't matter. According to the liberal intelligencia, you are rich. You don't "need" the money. Go smoke another cigar wrapped in hundred dollar bills!
c) Enough to cover the entire federal deficit for one tenth of a second.
d) $3,500

5) In order to assuage the guilt of those who think taxes should be raised, existing law allows them to:

a) Give all of their income away to charities and pay no tax.
b) Voluntarily pay the additional tax they see fit without forcing the rest of us to do so.
c) Voluntarily pay any additional amount of tax that would make them feel good.
d) Advocate spending cuts equal to the "cost" of not raising taxes.
e) All of the above.

6) The Alternative Minimum Tax was put into place in 1969. It originally impacted roughly 150 taxpayers in the country who earned over $1 million in that year. It was not indexed for inflation. Inaction by Congress this year will cause the total number of taxpayers paying extra money due to the AMT in 2011 to be:

a) 100,000
b) 1,000,000
c) 10,000,000
d) 28,000,000
e) Only those who voted for Obama.

(OK, I wish "e" were the correct answer.)

7) The income tax was established by the 16th Amendment to the Constitution in 1913. At that time, the tax rate was:

a) 70% on incomes over $1000.
b) 30% on incomes over $10,000.
c) 20% on incomes over $25,000.
d) 7% on incomes over $500,000. ($11 million in annual income in today's dollars)
e) 5% on people who voted for Woodrow Wilson.

(Answers below)

So, how did you do? Did you notice that in 1913, the "rich" were considered to be people making over $11 million a year in today's dollars? Now, many Democrats consider "rich" to be $75,000 of income.

Until my next missive, I remain respectfully,

Congressman John Campbell
Member of Congress

Answers:
1. (a)
2. (b)
3. (b)
4. (c & d)
5. (e)
6. (d)
7. (d)