The Federal Income Tax Guide

> A raise does not push all your income into a higher bracket. This guide shows how the brackets really stack, and why your effective rate is lower than you think.

The most common tax myth is that earning a little more can bump all your income into a higher bracket and leave you worse off. That is not how it works. The system is built so that only the next dollar is taxed at the next rate, and understanding that removes a lot of needless worry.

How the brackets stack

Tax brackets are marginal, which means each slice of your income is taxed at its own rate. The first slice is taxed at the lowest rate, the next slice at the next rate, and so on. A higher bracket only ever applies to the income above its threshold, never to the income below it.

Before any of that, the standard deduction comes off the top. For 2026 the single standard deduction is 16,100 dollars, so only what remains is taxable income that flows through the brackets. Earning more never lowers your take-home pay. It only means the newest dollars are taxed at a higher rate than the earlier ones.

A worked example you can reproduce

Take a single filer with 75,000 dollars of taxable income in 2026. Stacking that through the brackets produces about 11,212 dollars of federal income tax. The top of that income sits in the 22 percent bracket, so 22 percent is the marginal rate.

But the effective rate, the tax divided by the taxable income, is only about 15 percent, because the earlier slices were taxed at 10 and 12 percent. The marginal rate is what a raise or a bonus is taxed at. The effective rate is what you actually paid overall. Confusing the two is what fuels the bracket myth. The Federal Income Tax Calculator shows both for any income.

Marginal vs effective, and why it matters

The distinction is not academic. Your marginal rate is the right number for decisions at the margin, like whether to work overtime, take a bonus, or make a pre-tax retirement contribution, because those affect your top dollars. Your effective rate is the right number for understanding your overall tax burden.

People often overestimate the cost of a raise because they apply the marginal rate to their whole income. In reality only the new income is taxed at the higher rate, so a raise always leaves you with more money after tax.

Lowering what you owe

Two levers move your bill. Deductions reduce your taxable income, which shaves dollars off at your top marginal rate, so a deduction is worth your marginal rate. Credits reduce the tax itself dollar for dollar, which makes them more powerful than a deduction of the same size.

Pre-tax retirement contributions are a common way to lower taxable income now, and the Take-Home Paycheck Calculator shows how they change your paycheck. Just remember that lowering taxable income never lowers your after-tax income by more than the tax saved.

> **Key takeaway.** Only your next dollar is taxed at your bracket. Your marginal rate guides decisions at the margin, and your effective rate is what you actually paid.

Assumptions

- Figures use the 2026 tax year brackets and standard deduction from IRS Rev. Proc. 2025-32.
- The example uses the single filing status and takes the standard deduction. Other statuses and itemizing change the result.

Sources

- IRS, federal income tax rates and brackets
- IRS Revenue Procedure 2025-32 (2026 inflation adjustments)