Example:Total Tax Burden of a US manufactured product going through the conventional sales/distribution "chain"

Entity	Cost to buy all materials, produce and package the product	Markup %	Markup in $$	Sale price to next entity in the sales "chain"	gross Profit margin %	Gross Profit $$	Operating expense %	Operating Expense $$	Pretax net profit %	Pretax profit in $$	Combined Fed/state Income Tax rate on Pre-tax net	Income Tax$$ paid @ corp. level
Manufacturer	**$100.00**	100	$100.00	$200.00	50	$100.00	20	$40.00	30	$60.00	40.00	$24.00
Sales rep	$200.00	10	$20.00	$220.00	9	$20.00	5	$11.00	45	$9.00	40.00	$3.60
Distributor	$220.00	33	$72.60	$292.60	25	$72.60	20	$58.52	5	$14.08	40.00	$5.63
Retailer	$292.60	60	$175.56	$468.16	38	$175.56	20	$93.63	18	$81.93	40.00	$32.77
									pretax $$ subtotal	165.01		
End User Cost to Buy			product sale price to the end consumer	$468.16				(plus sales taxes)			8.00	$37.45
								Total taxes paid				**$103.46**
	Total end user cost with middlemen					$505.61	(including sales taxes)			all paid by the end consumer in the final analysis		
	Total end user cost without middlemen					$216.00	(including sales taxes)					
	Difference to Governments in total taxes collected					$63.46	(less)					
	Loss to government as a percent of taxes vs. present model					61.34%	(less)					

Notes:

Under the present business/government model the end consumer pays more in taxes (as part of the overall price for the item purchased) than it costs to make the product at the manufacturing level. *Tax rate shown in the above example includes federal, state, municipal, and county income taxes and various licenses and permits.*

Direct purchases from the manufacturer (cutting out the middlemen) can reduce the overall costs to the end consumer by approximately 57%.

But: Direct purchases from the manufacturer (cutting out the middlemen) can reduce the overall taxes going to various government bodies by about 61%.

The total amount of taxes incorporated in the end sales price of a US manufactured item is approximately = 20% of the total (end) price of the product, and is **more** than the cost that the factory spent (labor, materials, outside work, packaging, etc.) making the product itself. The government takes approximately 62% of all the pre-tax profits of all the entities involved for its share. **The individual buyer however pays 100% of the tab. It's hidden in the price the end consumer pays**.

Operating expenses are those expenses unrelated to production - admin./exec. staff, building rentals, utilities, property insurance, off.supplies, interest payments on debt, etc.
In a mature business operating expenses typically are 15-25% of sales. In a startup business, operating expenses are typically a much higher percent of sales.