TAKE CHARGE TODAY

Grades 10-12

BASICS OF TAXES

ADVANCED LEVEL LESSON

Lesson overview

We all pay taxes; many types, in fact. But do we know the **purpose of paying taxes** and how they are used? Helping students to better understand benefits that citizens derive from paying taxes reinforces an important core tenant of financial education: **You are better off in a community than by yourself.**

Suggested teaching tools

- Use ***Google Earth*** to show street view of things paid for by taxes in your community
- Conduct a ***QR Code Scavenger Hunt*** to introduce vocabulary terms
- Review content knowledge by playing the Active Learning Tool ***True/False Chairs*** or ***Escape Room***
- Assess knowledge by doing a ***Connections Puzzle***

What can students do?

- Create a ***Foldable*** to represent key concepts about taxes using the ***Information Sheet***
- Conduct a peer survey using ***What Do Your Peers Know about Taxes?*** and ***Test Your Tax Knowledge*** true/false quiz then share results with the rest of the class
- Estimate the % of income you pay for each type of tax by coloring a grid.

Teacher notes

TAKE CHARGE TODAY

THE BASICS OF TAXES

Advanced Level

www.takechargetoday.arizona.edu

CENTER FOR THE PHILOSOPHY OF FREEDOM
TAKE CHARGE TODAY

RECOMMENDED GRADE LEVELS	AVERAGE TIME TO COMPLETE	EACH LESSON PLAN IS DESIGNED AND CONTINUALLY EVALUATED "*BY EDUCATORS, FOR EDUCATORS*." THANK YOU TO THE FOLLOWING EDUCATORS FOR DEVELOPING COMPONENTS OF THIS LESSON PLAN.
10-12	**Anticipatory Set & Facilitation**: 55 minutes **Conclusion/Assessment Options**: 20-50 minutes *Time does not include optional items.*	▪ Shelly Stanton, Business Educator, Billings, Montana

NATIONAL STANDARDS	LESSON PLAN OBJECTIVES
The curriculum is aligned to the following national standards: ▪ National Standards for Personal Financial Education ▪ American Association of Family and Consumer Sciences ▪ National Business Education ▪ Common Core English Language Arts	Upon completion of this lesson, participants will be able to: ▪ Identify the purpose of taxes ▪ Differentiate between the types of taxes ▪ Recognize how taxes affect our everyday lives

MATERIALS

MATERIALS PROVIDED IN THIS LESSON PLAN	MATERIALS SPECIFIC TO THIS LESSON PLAN BUT AVAILABLE AS A SEPARATE DOWNLOAD	MATERIALS TO ACQUIRE SEPARATELY DEPENDING ON OPTIONS TAUGHT
▪ The Basics of Taxes Scavenger Hunt worksheet ▪ How do Taxes Impact Your Life? worksheet ▪ The Basics of Taxes reinforcement worksheet ▪ What Do Your Peers Know About Taxes? worksheet ▪ Basics of Taxes Connections Puzzle ▪ Taxes Foldable Rubric ▪ The Basics of Taxes Vocabulary List ▪ The Basics of Taxes QR Codes ▪ Test Your Tax Knowledge! true or false ▪ The Basics of Taxes Information Sheet ▪ The Basics of Taxes Note Taking Guide	▪ The Basics of Taxes Answer Key ▪ The Basics of Taxes PowerPoint Presentation ▪ Managing Your Money Unit Multiple Choice Test Bank and Answer Key	▪ QR Code Reader ▪ Magazines ▪ Cameras ▪ Markers, colored pencils, and/or crayons ▪ Colored or plain paper ▪ Stapler ▪ Large pieces of paper (1 per every 2-5 participants) ▪ Computer and/or Internet access ▪ Chairs

Resources

External Resources

External resources referenced in this lesson plan:

- Google Maps: http://maps.google.com
- Google Earth: http://earth.google.com
- Bankrate state tax rates: https://www.bankrate.com/finance/taxes/check-taxes-in-your-state.aspx
- Tax Foundation: State Income Tax Rates: https://taxfoundation.org/data/all/state/state-income-tax-rates/
- CFPB "Understanding Taxes and Your Paycheck": https://www.consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/teach/activities/understanding-taxes-paycheck/
- Basics of Taxes on Nearpod: https://bit.ly/4iIBPCr
- Basics of Taxes Connections Puzzle: https://connections.swellgarfo.com/game/-NpzJBTWECyZ88rOfbbZ

Take Charge Today Resources

Similar lesson plan at a different level:	Optional lesson plan resources:
▪ None available	▪ Paying Your Income Taxes Lesson Plan ▪ Foldables Active Learning Tool ▪ True or False Active Learning Tool ▪ Escape Room Active Learning Tool

Content

Educator Materials	Participant Reading
▪ Materials to support educators when preparing to teach this lesson plan are available on the Take Charge Today website.	▪ The Basics of Taxes Information Sheet

Lesson Facilitation

Prepare	Instruct	Customize
Visual indicators to help prepare the lesson	*Instructions to conduct the lesson facilitation*	*Potential modifications to lesson facilitation*

Vocabulary Activity

Vocabulary Scavenger Hunt

Before the lesson

Approximate time: 5 minutes prior to instruction and 30 minutes at the end of instruction

Materials to prepare:
- *The Basics of Taxes QR Codes*
- QR code reader (on a smartphone or tablet) per participant
- *The Basics of Taxes Scavenger Hunt* worksheet per participant

Before instruction:
1. Print each QR code and then hang around the room. Do not hang the terms; they are provided as an answer key for the instructor.
2. Give each participant *The Basics of Taxes Scavenger Hunt* worksheet.
3. Have participants use a QR code reader to scan the QR codes and identify the terms.
4. Then, have participants match the terms and definitions on their *The Basics of Taxes Scavenger Hunt* worksheet.
5. As a class, discuss the correct answers.

If QR code readers are not available, have participants use the *Basics of Taxes Information Sheet* to complete the activity.

After instruction:

6. Divide participants into teams of 2-4.
7. Tell participants that they will be continuing their vocabulary scavenger hunt by working as a group to find objects or pictures that represent at least five words on the vocabulary list.
8. This part of the scavenger hunt activity can be conducted in a variety of ways:
    a. Provide participants with magazines, computers, or other materials where they can search for pictures.
    b. Provide participants with cameras (or ask them to use their camera phones or tablets) and allow them to search the classroom or school to take pictures of items that represent each word.
    c. Allow multiple days or time outside of class to complete the scavenger hunt and allow participants to search outside of class and school for items and pictures.
9. Have participants turn in their pictures/objects for each word when the scavenger hunt is complete.

Extend the scavenger hunt by having participants showcase their findings by creating and sharing a display.

ANTICIPATORY SET OPTIONS

There are two anticipatory set options provided for this lesson.

1. Option 1: Virtual Tour
2. Option 2: Map

Option 1: Virtual Tour

Approximate time: 10 minutes

Materials to provide:

- Computer with Google Maps pulled up in Satellite mode

A Google Earth app is available for tablets and smartphones.

1. Take participants on a virtual tour of your local community to identify public services and facilities provided through tax dollars.
2. Google Maps is the recommended website to use for the virtual tour. There are two modes for Google Maps: Map and Satellite. Choose the Satellite mode to see pictures.
3. Conduct the tour and instruct participants to write down everything they see that they believe is paid for with taxes.
    a. Try to take participants past multiple services such as a library, police station and fire department.
4. At the end of the tour, ask participants to share what items they recorded during the tour. Fill in any gaps of items participants may not have recorded or may not have realized are paid for by taxes.
5. Some items could include:
    a. Roads, sidewalks, stop lights, road signs, schools, post offices, fire stations, etc.
6. Discuss the significance of the tour. Possible discussion questions include:
    a. What would your week be like without any of the items recorded during the tour?
    b. What could happen if there were no public schools?
    c. What would transportation be like without road signs?

Take participants on a walking tour of your community to identify items provided by tax dollars.

If conducting facilitation Option 2, the virtual tour works well during the activity on Slide 6.

Option 2: Map

Approximate time: 10 minutes

Materials to prepare:

- Piece of paper per participant
- Markers, colored pencils, and/or crayons

1. Provide each participant with a piece of paper and a writing utensil.
2. Instruct participants to draw a detailed map of how they got to school this morning. The map should include the mode of transportation used, any major landmarks that were passed along the way, and any other items, services, or people that helped them get to school.
3. When the maps are complete, ask participants to make a list of the items they used or encountered that they believe were paid for by tax dollars.
4. Have participants share these items. Fill in any gaps of items participants may not have recorded or may not have realized are paid for by taxes.
5. Some items could include:
    a. School bus, bus driver, roads, sidewalks, stop lights, road signs, etc.
6. Discuss the significance of their map. Possible discussion questions include:
    a. What would your week be like without any of the items recorded?
    b. What could happen if there were no public schools?
    c. What would transportation be like without road signs?

If routes to school are too short, then have participants draw a map from a familiar location in your community to the school.

Recommended Facilitation

There are two options to facilitate this lesson.

Option 1: Foldable

Option 2: PowerPoint

Option 1: Foldable

Approximate time: 45 minutes

Materials to prepare:

- *Foldables Active Learning Tool*
- Colored or plain sheets of paper for participants to use
- Colored pencils, markers, or crayons (if plain paper is used)
- Create a sample foldable
- 1 *The Basics of Taxes Information Sheet* per participant
- 1 *Taxes Foldable Rubric* per participant

Step 1: Create a sample foldable

1. Create a sample foldable to show participants. Instructions and examples are included in the *Foldables Active Learning Tool*.
2. Once the foldable is created, add a title. Then create sections for each question below. Your sample foldable does not need to include the answers.

What I know about taxes (or another title)
What are taxes?
What is a community?
What are the benefits of taxes?
What is federal income tax?
What is state income tax?
What is a payroll tax?

There are many forms of foldables available for this lesson.

How do employers contribute to payroll taxes?
What is a property tax?
What is a sales tax?
What is an excise tax?
What are the two most important things to know about taxes?

Step 2: Participants create foldables

3. Provide each participant with access to colored paper or plain paper and colored pencils, markers, or crayons.
4. Show participants how to create a foldable using the sample.

Step 3: Complete the foldable

5. Provide each participant with a *The Basics of Taxes Information Sheet* and *Taxes Foldable Rubric*.
6. Have participants label their section tabs with the questions noted on the *Taxes Foldable Rubric*.
7. Instruct participants to use *The Basics of Taxes Information Sheet* to complete each section of the foldable.

Step 4: Debrief

8. As a class, discuss each section of the foldable, filling in any gaps in content and answering any questions.
    a. *The Basics of Taxes PowerPoint presentation* may be used to guide the discussion.

Option 2: PowerPoint

Approximate time: 45 minutes

Material to prepare:

- 1 *The Basics of Taxes Note Taking Guide* per participant
- *The Basics of Taxes PowerPoint presentation*
- 1 large sheet of paper per group of 2-5
- 1 *How Do Taxes Impact Your Life?* worksheet per participant
- Markers, crayons, or colored pencils for participants to choose from
- Tax Foundation: State Income Tax Rates website (URL in external resources section)

1. Pass out one *The Basics of Taxes Note Taking Guide* to each participant.
2. Present *The Basics of Taxes PowerPoint presentation*

Instead of using *The Basics of Taxes Note Taking Guide*, use the foldable from facilitation Option 1 as the note taking guide used in conjunction with the PowerPoint.

Part 1: What are taxes?

3. Slide 2: What are taxes?
    a. Ask participants if they are taxpayers. Explain that they are taxpayers. They have most likely purchased an item that included a tax. If they have a job, they pay taxes on the income they earn, etc.
4. Slide 3: Community

   a. Discuss the definition of community and explain that the United States is a community along with your state, county, and city/town. These communities are organized into governments.
5. Slide 4: What are benefits of being a part of these communities?
   a. Ask participants to brainstorm what benefits they receive from being a part of the U.S., their state, county, and city/town.
   b. Use the examples provided to explain that being a part of a community has many benefits.
6. Slide 5: You are better off being in a community than by yourself
   a. Discuss the curriculum principle “You are better off being in a community than by yourself.” Explain to participants that as a taxpayer in a community, they receive many benefits.
   b. It would be difficult to create or provide these benefits by yourself.
7. Slide 6: How do you benefit from taxes?
   a. Split participants into groups of 2-5.
   b. Provide each group with a large piece of paper and one of the following government funded programs:
      i. Education and Training
      ii. Police
      iii. Fire/Emergency Medical Services
      iv. Transportation
      v. Parks and Recreation
      vi. Natural Resources and the Environment
      vii. Health and Medical
   c. Have each group make a list of specific products and services available to citizens that are funded by tax dollars. Examples include:
      i. Education: free meals, school computers, band instruments, teachers, supplies within the school library
      ii. Transportation: road repairs, streetlights, street signs
      iii. Parks and Recreation: swimming pools, skate parks, summer camp
   d. When the list is complete, ask participants to determine how these items contribute to their well-being.
   e. Ask participants to consider what they would do if these items were not available to them.

Part 2: Types of Taxes

8. Slide 7: How do taxpayers pay taxes?
   a. Ask participants to brainstorm how taxpayers pay taxes.
      i. Taxes are paid in a variety of ways. Each will be discussed.
9. Slide 8: How do taxes impact your life?
   a. Tell participants that they are going to estimate the amount of income they would pay in taxes if they were working a part-time job.
   b. Distribute the worksheet activity titled *How Do Taxes Impact Your Life?* Review the instructions with participants.
      i. Let participants estimate the percentage they pay in taxes and complete their coloring for the shape.

If the anticipatory set was completed, have participants refer to the lists created to begin brainstorming for the activity on Slide 6.

Use a whiteboard app to complete the activity on Slide 6 using tablets.

    ii. Before asking participants to complete the reflection questions, provide them with the correct percentages based on your city and state.
        1. Give participants an opportunity to compare their estimates with others.

10. Slide 9: Income tax
    a. Discuss the definition of income tax. Stress that income tax is charged on both earned and unearned income. This includes what you earn from working for pay as well as income earned from other sources, such as interest from a savings account.
11. Slide 10: Components of income tax
    a. Income tax includes both federal and state income tax.
12. Slide 11: Federal Income Tax
    a. Discuss the details of federal income tax included on the slide.
13. Slide 12: State Income Tax
    a. Discuss the details of state income tax included on the slide.
    b. Ask participants if their state has state income tax. If internet access is available, have participants research if their state has state income tax and/or which states do and do not have state income tax.
        i. The link on this slide takes you to the Tax Foundation which shows a map and data about tax rates across the U.S. URL is included in the External Resources section of the lesson plan.
14. Slide 13: Payroll Tax
    a. Discuss the details of payroll tax included on the slide.
    b. Payroll tax is different from income tax because it is only charged on **earned** income. This tax is withheld or paid on your behalf by your employer.
15. Slide 14: What is Social Security?
    a. Discuss the Social Security program that is funded by payroll tax using details on the slide.
        i. The annual maximum wage cap changes annually.
16. Slide 15: What is Medicare?
    a. Discuss the Medicare program that is funded by payroll tax.
17. Slide 16: Employers also pay Social Security and Medicare
    a. In addition to deducting Social Security and Medicare taxes from employee paychecks, employers are required to match their employees' tax contributions.
    b. For example, if an employee owes $100 for Social Security and Medicare taxes, the employer will deduct this amount from the employee's paycheck. Then, the employer will pay the government a total of $200 ($100 for the employee's portion of the tax and $100 for the employer's portion of the tax). Self-employed people must pay both the employee and employer Social Security and Medicare contributions on earned income.
18. Slide 17: What is the difference between income tax and payroll tax?
    a. Discuss the key differences between income and payroll tax using details on the slide.
19. Slide 18: Property Tax
    a. Discuss the details of property tax using information on the slide.

View the taxes section of the Bankrate website for a comprehensive listing of taxes charged by state.

20. Slide 19: Sales Tax
    a. Discuss the details of sales tax using information on the slide. A retailer sells items to the public for use or consumption. This includes service businesses (such as restaurants), manufacturers, grocery stores, clothing stores, etc.
    b. Ask participants if the state you live in has sales tax.
21. Slide 20: Excise Tax
    a. Discuss the details of excise tax.

Part 3: Summary

22. Slide 21: How are tax rates determined?
    a. Taxes are created by representative bodies such as city councils, county commissioners, state legislatures, and members of Congress. The representatives in these public positions are elected by voters. Taxpayers are also voters. Therefore, individually you don't have a lot of control over taxes, but as a voting group, taxpayers are able to elect public representatives who will represent the interests of the majority.
23. Slide 22: Taxes and Money Management
    a. Discuss why it is important to learn about and understand taxes in conjunction with managing your money.
    b. Ideas to consider include:
        i. Your paycheck will always be smaller than you anticipate due to income and payroll taxes being deducted.
        ii. If you are an independent contractor or gig worker, you are responsible for paying your taxes yourself, so you cannot spend every dollar you earn.
        iii. When you are making purchases, you need to plan extra money for the sales tax. One item at the Dollar Store will cost you more than $1.00.
        iv. Property taxes increase the amount you will pay for higher priced items, possibly hundreds of dollars more.
24. Slide 23: Summary
    a. Summarize the main points of the lesson.

CONCLUSION OPTIONS

There are three conclusion options for this lesson.

1. Option 1: True or False
2. Option 2: Class Vote
3. Option 3: Escape Room

Option 1: True or False

Approximate time: 20 minutes

Materials to prepare:

- *True or False Active Learning Tool*
    - 1 *True or False Questions for The Basics of Taxes*
- 1 chair per participant plus 2 extra

1. Conduct the true or false activity. Refer to the *True or False Active Learning Tool* for directions and materials. This activity is a competition among two teams conducting a relay race to review essential lesson plan concepts.

Option 2: Class Vote
Approximate time: 20 minutes
Materials to prepare: none
 	
1. The United States has decided to conduct a vote to decide whether or not to eliminate taxes. However, before the votes are cast, the President of the U.S. has asked everyone to analyze the decision by creating a list of pros and cons regarding taxes.
2. Complete the pros and cons list either in small groups or as a class. Discuss the items on the pros and cons list.
3. Allow everyone to vote on whether or not they would choose to keep taxes. The vote could be conducted in a variety of ways:
  a. If anonymity isn't important, simply have participants raise their hands to cast their votes.
  b. Have participants write their vote on a piece of paper and then count the votes.
  c. Use a polling or brainstorming/discussion website.
4. Discuss the results!
	Use a tablet or smartphone application to complete the pro and con list.

Option 3: Escape Room
Approximate Time: varies
Material to prepare:
▪ *Escape Room Active Learning Tool*
  o Use the 5 *Taxes Challenge* worksheets for the taxes challenge escape room.
 	
1. Conduct the activity as directed in the *Escape Room Active Learning Tool*.
  a. Participants work in small teams to solve challenges. As each challenge is completed, the team receives a clue that is needed for the next challenge or the final "escape". Once all challenges are complete, the team will have all the clues necessary to solve the final puzzle.
	There is a digital taxes escape room option available in the *Escape Room Active Learning Tool* if preferred.

ASSESSMENT OPTIONS There are three assessment options for this lesson. Option 1: Reinforcement Worksheet Option 2: What Do Your Peers Know About Taxes? Option 3: Connections Puzzle	
Option 1: Reinforcement Worksheet Approximate time: 20 minutes Materials to prepare: ▪ *The Basics of Taxes* reinforcement worksheet per participant 1. Complete *The Basics of Taxes* reinforcement worksheet.	
Option 2: What Do Your Peers Know About Taxes? Approximate time: 30 minutes in class plus time outside of class to conduct quiz Materials to prepare: ▪ 1 *What Do Your Peers Know About Taxes?* worksheet per participant ▪ *Test Your Tax Knowledge!* for a sample true or false quiz	

1. Complete the *What Do Your Peers Know About Taxes?* worksheet.
   a. Participants will create a true or false quiz to test their peers' knowledge about taxes. After creating and conducting the quiz, participants will examine the results and answer reflection questions based on those results.
2. A sample true or false quiz is provided, *Test Your Tax Knowledge!* To simplify the assessment, have participants use this quiz instead of creating their own.
   a. Two copies of the same quiz are provided for easy printing and distribution.

Have participants create a poster that answers the questions presented on the *What Do Your Peers Know About Taxes?*

Option 3: Connections Puzzle

Approximate time: 10-15 minutes

Materials to prepare:

- Internet access for each participant if playing the game online
- Basics of Taxes Connections Puzzle (URL in the External Resources)
- Optional: 1 *Basics of Taxes Connections Puzzle* worksheet per participant or small group
  - Either cut up terms OR
  - 4 different colors of pens/pencils/markers

Digital Play

1. Share the link to the *Basics of Taxes Connections Puzzle*.
2. Explain that this puzzle is a word grouping game with the goal of "making connections" about taxes. The puzzle has 16 words that you will group together in sets of four (4) terms. These connections can be made in a variety of ways:
   a. Finding common themes between words
   b. Figuring out how words might relate to each other
   c. Looking for a straightforward connection such as "Songs sung by Taylor Swift"
   d. Considering that words might have more than one meaning
   e. Looking for Homophones, which are two or more words that sound the same but are spelled differently, such as "knew" and "new"
   f. Inserting a letter or a word before or after each puzzle term
   g. Looking for similarities between terms, such as pre-fixes, suffixes, plural, etc.
3. When playing the game with a device, the participant will click four (4) terms they believe have a connection.
   a. The digital game will let them know if they are correct by moving the four (4) terms to the top of the game page and providing a sentence or phrase validating the connection.
      i. Players will be notified if they selected 3 of the 4 connected terms by seeing the message "One away."
   b. Each correct connection of four (4) terms will appear in a different color.
   c. If all four (4) terms selected by the player don't make up any of the correct connections from the 16-term puzzle, then no movement of terms will occur. The player can deselect one or more terms and make other selections.

Instructor can determine if game is played for unlimited time or a set amount of time. Game could also be played competitively with the first person or group to get all connections winning a prize.

d. The game is over when the player makes all four correct selections and sees terms appear in colored groups. **Printed Connections Puzzle Play** 4. Put participants into small groups, if desired. 5. Give each participant or group a *Basics of Taxes Connections Puzzle* worksheet. a. Either cut up terms into the 16 words, or print the worksheet and give each participant or group 4 different colored markers/pencils/pens. b. All printed puzzle pieces will be the same color unlike that which occurs on the digital version. 6. The instructor should explain the goals of the game and the variety of ways the group can make the connections of four (4) word sets. a. See directions in #2 above for an explanation of how to play. 7. Using the *Basics of Taxes Answer Key*, the instructor can reveal the winning categories of terms and recognize any or all champions.	

The Basics of Taxes Vocabulary List

	TERM	DEFINITION
1	Community	A group of people working together for a common good
2	Earned income	Money earned from working for pay
3	Excise tax	Taxes collected from the seller or retailer and as such often remain “hidden” in the price of a product or service, rather than being listed separately
4	Income tax	A tax on earned and unearned income
5	Payroll tax	Taxes withheld or paid on your behalf by your employer from earned income; supports Social Security and Medicare programs (also known as FICA)
6	Property tax	A tax on property, such as land, buildings (including homes), and motor vehicles
7	Sales tax	A tax on purchased goods and services
8	Taxes	A sum of money demanded by a government to support the government itself as well as specific facilities or services
9	Taxpayer	A person who pays a tax to national, state, county or municipal (city/town) governments
10	Unearned income	Income received from sources other than employment

The Basics of Taxes QR Codes

1. Community	2. Earned Income
1	2
3. Excise Tax	4. Income Tax
3	4

5. Payroll Tax	6. Property Tax
5	6
7. Sales Tax	8. Taxes
7	8

9. Taxpayer	10. Unearned Income
9	10

The Basics of Taxes Scavenger Hunt

	Total Points Earned
25	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Part 1: QR Codes
Directions: Scan the QR codes and write the terms here. (1/2 point per term)

Part 2: Match Definitions
Directions: Match the terms with the definitions below. (1 point each)

	Term	Definition
1		Income received from sources other than employment
2		A tax on earned income
3		A person who pays a tax to national, state, county or municipal governments
4		A group of people working together for a common good
5		A sum of money demanded by a government to support the government itself as well as specific facilities or services
6		Money earned from working for pay
7		Taxes charged on consumption items
8		A tax on items purchased in retail stores
9		A tax on earned and unearned income
10		A tax on property, such as land, buildings (including homes), and automobiles

Part 3: Scavenger Hunt
Directions: Work in a small group to identify pictures or objects that represent at least five terms. (2 points each)

Taxes Foldable Rubric

	Total Points Earned
15	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Directions:

1. Create a foldable as directed by your instructor.
2. Label the title flap of each section as follows:

What I know about taxes (or another title)
What are taxes?
What is a community?
What are the benefits of taxes?
What is federal income tax?
What is state income tax?
What is a payroll tax?
How do employers contribute to payroll taxes?
What is a property tax?
What is a sales tax?
What is an excise tax?
What are the two most important things to know about taxes?

3. Use *The Basics of Taxes Information Sheet* to complete each section of the foldable. Each section of the foldable should include the following information:
   a. An answer to the question on the title of the tab
   b. The definition of any words in bold from that section of the reading
   c. At least one other piece of information pertinent to the question presented
4. Your work will be evaluated with the following rubric:

	Exemplary	Satisfactory	Unsatisfactory	No Performance	Score
For each tab ▪ Questions are thoroughly answered ▪ All key words and definitions are included ▪ One extra piece of information is included	9-7	6-4	3-1	0	
Quality of Presentation Materials ▪ Easy to understand ▪ Accurate ▪ Well-organized	6-5	4-3	2-1	0	
			Total Points Earned		
			Total Points Available		15
			Percentage		

The Basics of Taxes Note Taking Guide

	Total Points Earned
	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Directions: Use the prompts provided to help you take notes during the lesson.

What are taxes?

What are **taxes**?	→	Taxes are paid by taxpayers. Who are **taxpayers**?

How do you benefit from the taxes you pay?

The answer is based on the principle "You are better off being in a community than by yourself."

What is a **community**?	→	Communities may include:	→	What are benefits of being a part of these communities?

Taxes are a way that members of a community provide for one another by helping fund the creation of roads, public schools, police and fire departments, military for national security, and much more.

How do taxpayers pay taxes?

Directions: To learn more about each type of tax, complete the following table by filling in the missing information indicated by numbers.

Income tax is a tax on earned and unearned income.		
1. What is **earned income?** Provide an example.		2. What is **unearned income?** Provide an example.
Income tax is divided into federal income tax and state income tax.		
Federal Income Tax		
3. Tax is determined by	Tax is paid by Majority of people living in the U.S.	4. Tax helps fund
State Income Tax		
5. Tax is determined by	6. Tax is paid by	Tax helps fund Varies by state but examples include state highways and the operations of the state government
Payroll tax – A tax on earned income that supports the Social Security and Medicare programs (also known as FICA)		
7. Tax is determined by	8. Tax is paid by	Tax helps fund the Social Security and Medicare programs 9. What is Social Security? 10. What is Medicare?

<table>
<tr><td colspan="3" align="center">11. What is property tax?</td></tr>
<tr><td>12. Tax is determined by</td><td>Tax is paid for by property owners
The fee to license a car is a property tax.</td><td>13. Tax helps fund</td></tr>
<tr><td colspan="3" align="center">14. What is sales tax?</td></tr>
<tr><td>15.Tax is determined by</td><td>16. Tax is paid by</td><td>Tax help fund expenses of state and local governments</td></tr>
<tr><td colspan="3" align="center">17. What is excise tax?</td></tr>
<tr><td>18. Tax is determined by</td><td>Tax is paid by anyone who purchases certain items that are charged an excise tax.
Excise taxes charged vary by location.</td><td>Tax helps fund expenses of state and local governments</td></tr>
</table>

How are tax rates determined?	Why is understanding taxes an important part of money management?

How Do Taxes Impact Your Life?

	Total Points Earned
25	Total Points Possible
	Percentage

Name ______________________

Date ______________________

Class ______________________

You pay taxes even before getting a job—not just the ones deducted from your paycheck. What other taxes do you pay? How much of your income do you think goes toward them?

The shape on Page 2 represents the total earnings of a part-time teen employee working 20 hours per week for 50 weeks a year at $11 per hour—a total of $10,000. Each square represents 1% of your income or $100. However, a portion of that income is used to pay various federal and state/city taxes listed below. (Not all states collect every type of tax, but it's important to understand them in case you live in a state that does.)

- Federal income tax
- Social Security tax
- Medicare/Medicaid tax
- Self-employment tax (if you work as an independent contractor)
- State income tax
- State sales tax
- Property tax
- Excise tax on fuel
- Estate and inheritance tax

Directions: Follow the steps below to determine your estimate of taxes you pay. (20 points for calculations and coloring the shape)

1. Begin by **estimating the percentage** of your income that you pay during the year for each type of tax. (***Note***: It's possible that you do not pay certain taxes. For example, if you do not drive a car, you will not be paying excise taxes on fuel.)
2. Then **multiply** that percentage by your income of $10,000.
3. **Divide** your result by 100 to determine how many squares or parts of squares you will color for each type of tax you pay.

Type of Tax	Estimated percentage of tax paid by the average taxpayer	The math to calculate the dollar amount paid based on $10,000 income	If each square = $100, how many squares do you color?
Example: Miscellaneous tax	*2.5%*	*10,000 x .025 = 250*	*250 ÷ 100 = 2½*
Federal income tax			
Social Security tax			
Medicare/Medicaid tax			
Self-employment tax			
State income tax			
State sales tax			
Property tax			
Excise tax on fuel			
Estate and inheritance tax			

How Much Do I Estimate I Would Pay in Taxes?

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Color code the legend and color the squares(s) to match your calculations.

LEGEND

- ☐ Federal income tax
- ☐ Social Security tax
- ☐ Medicare/Medicaid tax
- ☐ Self-employment tax
- ☐ State income tax
- ☐ State sales tax
- ☐ Property tax
- ☐ Excise tax on fuel
- ☐ Estate and inheritance tax

Reflection Questions

1. Were you surprised by how much of your income goes to taxes? Why or why not? (1 point)

2. Which taxes do you think have the biggest impact on your daily life? Why? (2 points)

3. How might understanding taxes help you plan for your financial future? (2 points)

The Basics of Taxes

	Total Points Earned
25	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Directions: Read the following statements and determine which type of tax the statement describes. Put the corresponding letter in the blank. Terms may be used more than once.

1. ______ Funds the Social Security and Medicare programs
2. ______ The fee to license a car is this type of tax
3. ______ A tax on earned and unearned income
4. ______ The tax on airline tickets and gasoline
5. ______ This tax is determined by a set percentage of earned income
6. ______ A tax on purchased goods and services
7. ______ The specific amount paid for this tax depends on many factors but increases as income increases

A. Income Tax
B. Payroll Tax
C. Property Tax
D. Sales Tax
E. Excise Tax

Directions: Answer the following questions with complete sentences.

8. How do taxes relate to the principle "You are better off being in a community than by yourself"? (1 point)

9. As a person living in the United States, you are a taxpayer. What are two benefits you receive from the taxes you and others pay? (2 points)

10. What is the difference between earned and unearned income? Provide at least one example of each type of income. (4 points)

11. What are two items or services that federal income tax helps pay for? (2 points)

12. What is the Social Security program? (1 point)

13. What is the Medicare program? (1 point)

14. If an employee owes $250 for payroll taxes, how much will the employer need to pay for payroll taxes? (1 point)

15. What is one difference between income and payroll tax? (2 points)

16. What are two pieces of property besides an automobile that property taxes may be paid on? (2 points)

17. What is one difference between sales tax and excise tax? (2 points)

What Do Your Peers Know About Taxes?

	Total Points Earned
20	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Directions:

1. Create a true or false quiz to test your peer's knowledge about taxes. (5 points for completion)
    - Your quiz should include at least five questions relating to the concept of taxes.
2. Give this quiz to at least five of your peers who aren't studying this course. (5 points for completion)

After conducting your quiz, examine the results and answer the questions below:

1. What did your peers understand about taxes? Give at least one example. (2 points)

2. What misconceptions did your peers have about taxes? Give at least one example. (2 points)

3. What are five important things you would want your peers to know about taxes? (5 points)

4. What is one thing you will remember about taxes long after you graduated from high school? (1 point)

Test Your Tax Knowledge!

Directions: Read the following questions and determine if they are true or false by circling your answer.

True	False	1. Every person living in the United States pays taxes.
True	False	2. Taxes only provide benefits to a select group of people living in the United States.
True	False	3. People only pay taxes on the amount of money they make.
True	False	4. The fee paid to license an automobile is a form of tax.
True	False	5. Taxes are one of the largest expenses for many people.

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True	False	5. Taxes are one of the largest expenses for many people.

Basics of Taxes Connections Puzzle

Directions: The objective is to make 4 sets of connections using 4 terms in each connection. Terms can be cut apart and then grouped together, or different colored markers/pencils/pens can be used to identify connections.

Capital Gains	Citizens	Corporations	County
Defense	Estates	Excise	Federal
Medicare	Municipal	Infrastructure	Property
Sales	State	Partnerships	Social Security

The Basics of Taxes

Advanced Level

Ben Franklin once said, “But in the world nothing can be said to be certain except death and taxes.” **Taxes** are a sum of money that a government mandates that its citizens pay in order to support the government itself and all of its services. You are considered a **taxpayer** in the United States if you live here and pay taxes to national, state, county or municipal (city/town) governments.

Taxpayers are voters!

So, how do you benefit from the taxes you pay?

The answer is based in the principle that you are better off being a member of a community than by yourself. A **community** is a group of people with common interests and concern for the common good. The United States, along with your state, county, and city/town are all communities. Taxes provide the means for a community to fund the creation of roads, public schools, libraries, police and fire departments, military for national security, government benefit programs, recreation (such as parks and trails), and much more. Without taxes, it would be difficult for you to individually produce or purchase many of the benefits that come to you as a member of a community. Chances are that you have already benefited from taxes in some way today.

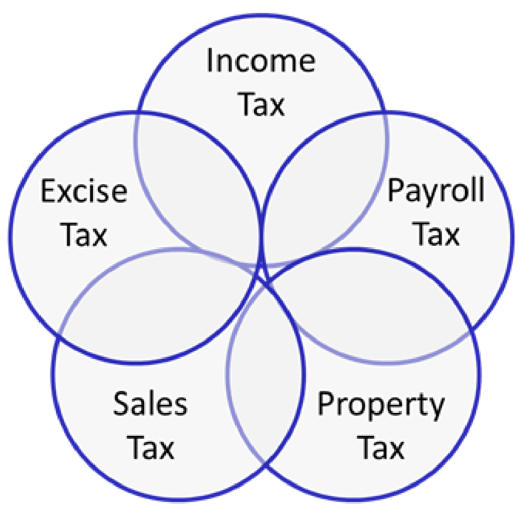
What are three ways you have benefited from taxes today?

1.

2.

3.

Taxes are charged in a variety of ways. Types of taxes include: income tax, payroll tax, property tax, sales tax, and excise tax.



Income Tax

Income tax is a tax on earned and unearned income. **Earned income** is money earned from working for pay. Wages and salaries earned from employment are examples of earned income. **Unearned income** is income received from sources other than employment. Interest earned from a savings account or investment is an example of unearned income. Income taxes are charged by the federal government and most state governments, as well as some local governments.

Federal Income Tax

Most income earned by people in the U.S. is subject to federal income tax. However, the amount of federal income tax you pay depends on the amount of income you earn. The higher your income, the more federal income tax you pay.

Federal income tax helps fund programs sponsored by the federal government, including the operations of the three federal government branches (executive, legislative, and judicial). National defense, the federal court system, food safety regulation, air traffic control, highway construction, and an array of programs that assist residents in times of need are just a few examples of federally funded government programs made possible by the collection of federal income taxes.

State Income Tax

Individual states have the option to charge their citizens a state income tax. Some states do not have a state income tax. Just as with federal income tax, state income tax is determined by the amount of your earned and unearned income.

Specific uses for state income tax vary per state. Many states spend the majority of their state income tax revenue on education and health care, but there are many other important uses for this money, such as the development of state highways and funding the operations of the state government.

Payroll Tax

A payroll tax is a tax on earned income. This tax deduction from your paycheck supports both the Social Security and Medicare programs, dictated by the Federal Insurance Contributions Act (FICA). Therefore, these taxes are sometimes referred to as the FICA tax. Both taxes are based on a set percentage of a person's earned income.

Payroll taxes are automatically deducted from your paycheck. However, if you are self-employed you are responsible for paying for your tax contributions toward these two programs.

Social Security

The Social Security payroll tax helps fund the Social Security program. Social Security is a federal government program that provides financial support for retirees, individuals with severe disabilities, and families with minor children who have lost a parent or spouse. This includes benefits for children under 18 and surviving spouses with minor children. Employees contribute 6.2% of their earned income to Social Security, up to an annual limit that changes each year.

Medicare

The Medicare program is funded through a federal payroll tax that helps cover healthcare costs for senior citizens and individuals under age 65 with certain disabilities. Employees contribute 1.45% of their earned income to Medicare with no annual limit.

Have you received a paycheck? If so, how much did you pay in income tax? How much did you pay in payroll tax?

In addition to deducting Social Security and Medicare taxes from an individual's earned income, employers are required to match their employees' tax contributions. For example, if an employee owes $100 for Social Security and Medicare taxes, the employer will deduct this amount from the employee's paycheck. Then the employer will match that amount and pay the government a total of $200 ($100 for the employee's portion of the tax and $100 for the employer's portion of the tax). Self-employed people are responsible for paying both the employee and employer portion of Social Security and Medicare contributions.

Employee contribution: $100 + Employer contribution: $100 = Employer pays $200 in payroll taxes

The differences between income tax and payroll tax are summarized in the table below:

Income Tax	Payroll Tax
Paid on both earned and unearned income	Paid on only earned income
Amount paid depends on many different factors but increases as income increases	Based on a set percentage of earned income
Funds many different operations and programs of the federal government	Funds the Social Security and Medicare programs

Property Tax

Property tax is a tax on property, including land, buildings (such as homes), and certain vehicles like cars and boats. The fee paid to license a vehicle is also a form of property tax. Homeowners and landowners receive an annual property tax bill, with rates set by state and local governments.

These taxes help fund schools, public services, and community infrastructure, which is why they vary by location.

The fee paid to license a car is the property tax.

Sales Tax

Some states fund their state government programs with sales taxes. A **sales tax** is a tax on purchased goods and services. Most states charge a sales tax for purchases made in "brick and mortar" retail stores. However, some states are beginning to collect a sales tax for items purchased through an online retailer (Amazon, Gap, Barnes and Noble, etc.). Taxable goods and services vary by state and even by city and county. State and local governments have the ability to determine what goods and services are charged a sales tax. Some states charge a tax on all goods and services while others will exempt items such as food purchases. And, some states choose not to charge a sales tax because they fund state and local services from other types of taxes.

State and local governments determine the amount of sales tax charged. Sales tax is typically a percentage of your total purchase, and the tax is added to the original price of an item. For example, if you purchase a $1.00 item in a state that has a 6% sales tax, you will pay $1.06 for that item. The $0.06 sales tax charge is added to the item at time of purchase, and the store owner passes the collected tax to the government.

Does your state have a sales tax? If so, do you know what items are taxed and at what percentage they are taxed?

Excise Tax

Excise taxes are taxes collected from the seller or retailer and as such often remain "hidden" in the price of a product or service, rather than being listed separately. Items that are charged excise taxes vary depending on the state and local area, but may include:

- Gasoline
- Hotel rooms
- Alcohol
- Cigarettes
- Airline tickets

Depending upon the item, an excise tax may have a different label, such as a resort tax.

Excise tax is often included within the price of an item, such as gasoline. Some items may be charged both a sales tax and an excise tax.

Have you ever purchased an item that included an excise tax?

Summary

Taxes are essential for funding public services and infrastructure that benefit the communities we belong to. Without them, we would have difficulty paying for many of the benefits we receive. Taxes come in many forms, and the amount you pay depends on factors like your income and location.

Taxes are established by elected officials at the local, state, and federal levels, including city councils, county commissioners, state legislatures, and Congress. While individual voters and taxpayers have limited control over taxes, voters collectively influence tax policies by electing representatives who influence these decisions.

What actions could you take as a taxpayer and voter to change the amount of taxes paid?

Understanding taxes is an important part of money management. Taxes play a role in both earning and spending money. In addition, taxes can be a large component of your Spending Plan.
Make sure to consider taxes when managing your money.