

LESSON  
**4**

# What Taxes Are For

Teach taxes in a way teens will understand.

## OBJECTIVES

Students will:

- understand that people are required to pay taxes, for which they receive government services
- be able to identify the types of taxes citizens pay
- calculate the amount of taxes a worker is likely to pay

## TIME

40 minutes

## MATERIALS

- Pencils and paper
- How Pay Gets Taxed activity sheet
- Talking About Taxes family activity sheet

## ADDITIONAL RESOURCES

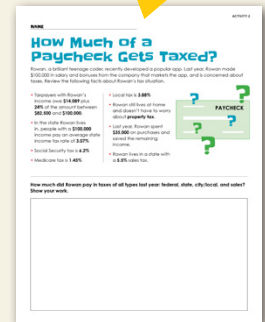
- Topic 2 (Earning \$), Lesson 3 Activities: Read Your Paycheck and File Your Tax Forms, [High School Instructor Guide](#)
- Lesson 3, [High School Toolkit](#)

## STANDARDS

- Council for Economic Education: Earning Income 7
- Jump\$tart Financial Literacy Standards: Employment and Income 3c

## DIRECTIONS

1. Ask students: Where does a public school principal's salary come from? Many students may not realize that the bulk of the funding for the salaries of teachers, administrators, custodians, and other school staff come from local property taxes and some state funds. Point out that depending on the state, sales taxes may also fund schools.
2. Encourage students to name services funded by:
  - **Local property taxes** Depending on the municipality, answers might include public safety, trash removal, libraries, and parks and recreation departments.
  - **State taxes** Answers might include state police, health programs like Medicaid, higher education programs like community colleges and the state university system, and state roads and public transportation programs.
  - **Federal taxes** The largest categories of federal expenditures include defense and health care programs, Social Security, interest on the national debt, and aid to low- and middle-income families.
3. Ask how the federal government funds the services it provides. Although some revenue comes from taxes on corporations, most comes from individual workers' federal income taxes and Social Security and Medicare withholdings. Employers are required to take, that is, withhold, these taxes from their employees' paychecks.
4. Point out that income tax rates on individuals rise as income rises. Using the year 2019 as an example, single individuals making up to \$9,526 owe 10% of their income in federal income tax. If they make more than \$9,526 but less than \$38,700, they owe 12% of the amount over \$9,526, but still pay only 10% on the amount up to \$9,526. Social Security tax amounts to 6.2% of income and Medicare tax amounts to 1.45%.
5. Hand out the How Pay Gets Taxed activity sheet to students to complete individually or in pairs. Review activity sheet answers as a class.
6. Hand out the Talking About Taxes family activity sheet. Ask students to take it home and complete it with their parents.



## ANSWER KEY FOR STUDENT ACTIVITY SHEET

Rowan paid total tax of \$34,814 (Federal tax = \$18,289, State tax = \$3,070, Social Security tax = \$6,200, Medicare tax = \$1,450, local tax = \$3,880, and sales tax = \$1,925.)

(Lesson continued on next page.)



## What Taxes Are For

### EXTENSION

Griffin works part-time as a server in a restaurant and makes \$9,500 a year. Griffin's boss said that all servers will be getting a \$1,000 raise because the restaurant is doing so well. Griffin wanted to turn down the raise because it will bump Griffin's income tax rate from 10% to 12%. Do you agree with Griffin?

### ASSESSMENT QUESTIONS

Ask your students to answer the following questions on a separate piece of paper:

1. Why do we pay taxes at all?

*Key point:* Funding from taxes is the way governments at all levels are able to provide services like defense at the federal level to education and roads at the state and local levels.

2. Does it pay to get a raise or a bonus if it results in higher taxes?

*Key point:* Increases in income will result in higher taxes, but since the tax rate isn't 100%, the taxpayer still gets to take home more than they would have without the raise or bonus.

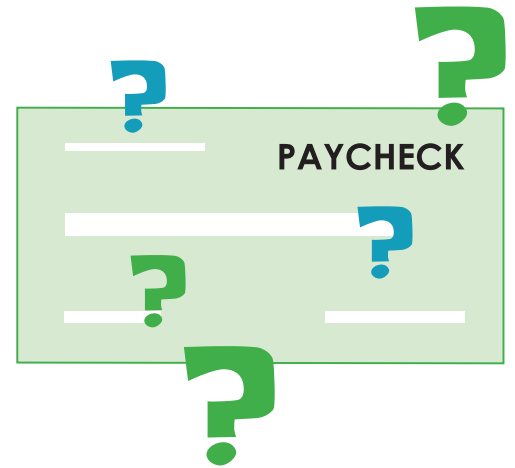
NAME \_\_\_\_\_

# How Pay Gets Taxed

Rowan, a brilliant teenage coder, recently developed a popular app. Last year, Rowan made \$100,000 in salary and bonuses from the company that markets the app, and is concerned about taxes.

Review the following facts about Rowan's tax situation.

- Taxpayers with Rowan's income owe **\$14,089** in federal income tax plus **24%** of the amount between **\$82,500** and **\$100,000**.
- In the state where Rowan lives, people with a **\$100,000** income pay an average state income tax rate of **3.07%**.
- Social Security tax is **6.2%**.
- Medicare tax is **1.45%**.
- Local tax is **3.88%**.
- Rowan still lives at home and doesn't have to worry about **property tax**.
- Last year, Rowan spent **\$35,000** on purchases and saved the remaining income.
- Rowan lives in a state with a **5.5%** sales tax.



How much did Rowan pay in taxes of all types last year: federal, state, city, and sales? Show your work.

# Talking About Taxes

## Dear Student,

You've been learning about taxes in school, and now it's time to get some input from people who have firsthand experience—your families. Review the following scenarios at home with your parents, and gain their input on what they would advise based on their own experiences as a taxpayer.

### Scenario 1

Casey has started working at a camping store. **Casey estimates total gross pay for the position will amount to \$9,000.** Casey will be paid weekly, and should have about **\$17 withheld each paycheck** for federal income taxes. Casey has asked for **\$50 to be withheld each paycheck** in order to get a “nice refund” later. Casey’s parents say this is giving the government an interest-free loan and Casey should have only **\$17 withheld.** What are the pros and cons of each argument? Discuss with your parents and record your answers.

### Scenario 2

It's late March, and Casey's federal income tax forms are **due April 15.** Other than earnings from the camping store, Casey has no other income and Casey would like to complete the tax form without help. A friend advises paying an accountant to prepare the return for a fee of \$125. Casey is taking a financial class and has filled out federal tax forms as a class project. What do you think Casey should do?

**ANSWER** Scenario 1: There is no one right answer. It is true that overwithholding is like giving the government an interest-free loan, since it can earn interest on the early payment and Casey cannot. However, for some people, overwithholding is a type of “forced savings” that they might not have the discipline to do otherwise.  
Scenario 2: There is no one right answer. Some people feel more secure paying a fee to a credentialed professional to prepare their taxes, or to use less-expensive tax preparation software. Another option, and one that does not involve a fee, is to research and learn more by visiting free online resources, such as at [usa.gov/help-with-taxes](http://usa.gov/help-with-taxes). If a taxpayer has earnings from only one job and no other income or deductions, such as Casey, preparing the tax form should be straightforward.

# Hablemos sobre impuestos

## Estimado(a) estudiante:

Has estado aprendiendo sobre impuestos en la escuela y ahora es el momento de obtener algo de información de las personas que tienen experiencia de primera mano: tu familia. Revisa los siguientes escenarios en casa con tus padres y obtén su opinión sobre lo que aconsejarían en función de sus propias experiencias como contribuyentes.

### Escenario 1

Casey ha comenzado a trabajar en una tienda de camping. **Casey calcula que el sueldo bruto total para el puesto será de \$9,000.** A Casey le pagarán semanalmente y se le deberían **retener \$17 aproximadamente por cada cheque de sueldo** en concepto de impuestos federales sobre los ingresos. Casey ha pedido que se le **retengan \$50 por cada cheque de sueldo** a fin de obtener un "buen reembolso" en el futuro. Los padres de Casey dicen que esto es darle al gobierno un préstamo sin intereses y que a Casey solo se le deberían **retener \$17.** ¿Cuáles son las ventajas y desventajas de cada razonamiento? Analiza este escenario con tus padres y anota las respuestas.

### Escenario 2

Estamos a fines de marzo y los formularios del impuesto federal sobre los ingresos de Casey **deben presentarse el 15 de abril.** Además de los ingresos que recibe de la tienda de camping, Casey no tiene otros ingresos y a ella le gustaría completar el formulario de impuestos sin ayuda. Un(a) amigo(a) le aconseja que le pague a un(a) contador(a) para que le prepare la declaración por un honorario de \$125. Casey está tomando una clase de finanzas y ha completado los formularios de impuestos federales como un proyecto de la clase. ¿Qué piensas que debería hacer Casey?

**RESPUESTA** Escenario 1: No hay una sola respuesta correcta. Es cierto que la sobreretención es como darle al gobierno un préstamo sin intereses, ya que el gobierno puede obtener intereses sobre el pago anticipado y Casey no. Sin embargo, para algunas personas, la sobreretención es un tipo de "ohorro forzado" dado que es posible que no tengan la disciplina para hacerlo de otra manera.

Escenario 2: No hay una sola respuesta correcta. Algunas personas se sienten más seguras pagándole a un profesional acreditado para que les prepare sus declaraciones de impuestos o usando un software que prepare estas declaraciones; esta última es una alternativa menos costosa. Otra opción, que no implica honorarios ni cargos, es investigar y obtener más información por medio de los recursos gratis que hay en Internet, como, por ejemplo, en [gov/espanol/ayuda-con-impuestos](http://gov/espanol/ayuda-con-impuestos). Si un contribuyente tiene ingresos de un solo empleo y no tiene otros ingresos o deducciones, como Casey, preparar el formulario de impuestos debería ser sencillo.