

Becoming familiar with taxes

Students match tax types to definitions and then apply their knowledge to tax scenarios.

Learning goals

Big idea

To manage expenses, governments raise money by collecting different types of taxes.

Essential questions

- What are some types of taxes people have to pay?
- Which taxes are most common in a person's life?

Objectives

- Become familiar with key vocabulary related to taxes
- Develop a sense of how taxes affect their own lives

What students will do

- Read scenarios and determine what taxes are involved.
- Analyze how taxes may impact their own lives.

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Financial knowledge and decision-making skills

Grade level: High school (9-2)

Age range: 13-19

Topic: Earn (Becoming an entrepreneur, Paying taxes)

School subject: CTE (Career and technical education), Social studies or history

Teaching strategy: Blended learning, Competency-based learning

Bloom's Taxonomy level: Understand, Apply

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Earning income: 8-5, 8-6, 8-7, 8-8, 12-6, 12-7, 12-8, 12-9, 12-10

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Consider displaying the "How to read a pay stub" poster before doing this activity.
 - You can order the poster for free here: <https://pueblo.gpo.gov/CFPBpubs/CFPBpubs.php?PubID=13465>.
- If you choose, you can have students use the "Taxes: Understanding the basics" handout to help them complete the worksheet.
 - If you use this activity as a review (after students have already learned about types of taxes), you may not need the handout.

What you'll need

THIS TEACHER GUIDE

- **Becoming familiar with taxes** (guide)
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STUDENT MATERIALS

- **Becoming familiar with taxes** (worksheet)
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- **Taxes: Understanding the basics** (handout) (optional)
cfpb_building_block_activities_taxes-understanding-basics_handout.pdf

Exploring key financial concepts

Throughout history, organized societies have formed governments. In free societies, the goals of the government often are to protect individual freedoms and to promote the well-being of society as a whole. To pay their expenses, a government needs income, or revenue, which it often raises through taxes.

In the United States, the federal government collects several types of taxes on individuals and businesses. The federal government relies mainly on income taxes, which are taxes on income, both earned (salaries, wages, tips, commissions) and

TIP

Because terms and laws related to taxes change, students should be encouraged to always look for the most up-to-date information.

unearned (interest, dividends), for its revenue. State governments may depend on both income and sales taxes. Most county and city governments use property taxes to support local schools, provide police and fire protection, and pay for street maintenance and other services.

As you become consumers and workers, you may find that increasing your knowledge about taxes can help you become financially independent young adults.

Teaching this activity

Whole-class introduction

- Ask students to share what they know about taxes.
- Read the “Exploring key financial concepts” section to students.
- Distribute the “Becoming familiar with taxes” worksheet and, if you choose, the “Taxes: Understanding the basics” handout.
- Tell students that they’ll identify the types of taxes used in the scenarios in their worksheets.
- A key outcome of this activity is to support students in the development of their vocabulary related to taxes. You may choose to introduce them to the key vocabulary first or as a review at the end of the activity.
- Be sure students understand key vocabulary:
 - **Estate tax:** A tax on the value of property you own at your death. It considers everything you own or have certain interests in at the date of death. There is a federal estate tax, and some states have their own estate taxes.
 - **Income tax:** Federal, state, and local taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Includes both personal and business or corporate income taxes. Not all states and localities have income taxes.
 - **Property tax:** Taxes on property, especially real estate, but also can be on boats, automobiles (often paid along with license fees), recreational vehicles, and business inventories.
 - **Sales tax:** A tax on retail products based on a set percentage of the retail price.
 - **Tariff:** A tax on products imported from foreign countries. This tax can increase the costs of those products, which ultimately can be passed on to consumers as higher prices.

TIP

Visit CFPB’s financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Tax credit:** A dollar-for-dollar reduction in a tax. It can be deducted directly from taxes owed. Tax credits can reduce the amount of tax you owe or increase your tax refund, and some credits may result in a refund even if you don't owe any tax.
- **Tax deduction:** An amount (often a personal or business expense) that reduces income subject to tax.
- **Taxes:** Required payments of money to governments, which use the funds to provide public goods and services for the benefit of the community as a whole.

Individual or group work

- Students can work individually or with a partner to identify which tax is used in each scenario.
- If this activity will serve as an introduction to taxes, you may choose to do this as a whole-class activity, where the group reads the question and searches for the answers in the handout.
 - If students complete this activity as a review (after learning about taxes), you may not want them to use the handout.
- After completing the scenarios, students should think about which types of taxes they think personally impact them the most and answer the reflection questions on their own.
 - The worksheet asks students to write their answers, but you may choose to have students talk with a partner instead to share their reflections.

TIP

No matter what means they use to process their reflection, the key is for them to justify their answer with evidence and examples.

Wrap-up

- Bring students together for a discussion about what they learned about taxes.
- Ask students to share their responses to the reflection questions.
- If you didn't do it at the beginning of the activity, review key terms to be sure students are familiar with the types of taxes.

Suggested next steps

Consider searching for other CFPB activities that address the topic of earning, including paying taxes. Suggested activities include "Investigating taxes in your life" and "Understanding taxes and your paycheck".

You also might consider using Intuit's classroom TurboTax tax activities and simulations* with your students. These resources are available at <https://www.intuit.com/solutions/job-readiness-education/products/turbotax/>.

Measuring student learning

This answer guide provides possible answers for the "Becoming familiar with taxes" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

Question	Answer
1. I work for a U.S.-based company. The company has decided to start importing materials to make its products. They'll have to pay a special tax. What type of tax is this?	Tariff
2. I bought 20 acres of land last year, and now I pay more taxes than my sister, who doesn't own any land. What type of tax do I pay?	Property tax
3. In my paycheck, I noticed that the money I make is being taxed. What type of tax is this?	Income/payroll tax
4. My grandfather passed away and left behind \$15 million in assets. What kind of tax will need to be paid on those assets?	Estate tax
5. I bought clothes at the mall this weekend, and I had to pay more than what the price tag actually said. What type of tax did the store add to my purchase?	Sales tax

Reflection questions

Answers may vary.

* The CFPB does not endorse this third party or guarantee the accuracy of this third-party information.