

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.

KEY INFORMATION

Building block:

 Financial habits and norms

Grade level: High school (9-12)

Age range: 13-19

Topic: Earn (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

STANDARDS

Council for Economic Education
Standard I. Earning income

Jump\$tart Coalition
Financial decision-making - Standards 1 and 2

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- If you choose to give students access to online resources to help them complete the worksheet, secure computer devices and Internet access and computers or tablets for students.
 - Note: If you can't arrange for students to have individual or group access, this can be done as a whole-class activity by projecting the calculator on a screen from a computer.
 - If you use this as a review activity (after students have already learned about types of taxes), you probably won't want to give them Internet access.
- Share these helpful links with students:
 - Answers to questions about federal, state, and local taxes:
<https://www.usa.gov/taxes>
 - Information about the economics of taxation:
<https://www.treasury.gov/resource-center/faqs/Taxes/Pages/economics.aspx>

What you'll need

THIS TEACHER GUIDE

- **Becoming familiar with taxes (guide)**
[cfpb_building_block_activities_becoming-familiar-taxes_guide.pdf](#)

STUDENT MATERIALS

- **Becoming familiar with taxes (worksheet)**
[cfpb_building_block_activities_becoming-familiar-taxes_worksheet.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 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 teenagers become consumers and workers, they may find that increasing their knowledge about taxes can help them become financially independent young adults.

Teaching this activity

Whole-class introduction

- Distribute the “Becoming familiar with taxes” worksheet.
- 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

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

TIP

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

Individual or group work

- Students can work individually or with a partner to identify which tax is used in the scenario and complete the worksheet.
 - 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 on suggested government websites.
 - If students complete this activity as a review (after learning about taxes), you may not want them to have the help of Internet resources.
- Students should reflect on which type of tax they think personally impacts them the most.
 - The worksheet asks students to write their reflection, but you may also choose to have students talk with a partner to share their ideas.

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:
 - Which of the taxes in the scenarios do you currently pay?
 - Which ones do you think you'll likely have to pay in the next 10 years?
- 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.

Measuring student learning

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

Answer guide

1. Tariff
2. Property tax
3. Income tax
4. Estate tax
5. Sales tax