

Understanding jobs, teens, and taxes

Students read a handout about taxes and respond to questions to explore the relationship between working and taxes.

Learning goals

Big idea

Taxes are part of every working person's paycheck – including the many teenagers who work part-time jobs during the school year and the summer.

Essential questions

- What are specific things teens should know about taxes?
- What does it mean to file a tax return?

Objectives

- Understand the relationship between working and taxes
- Recognize key terms related to income tax

What students will do


- Read a handout about taxes.
- Answer matching questions about teens and taxes.

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 (9-12)

Age range: 13-19

Topic: Earn (Becoming an entrepreneur, Getting paid, Making money, Paying taxes)

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

Teaching strategy: Blended learning, Direct instruction

Bloom's Taxonomy level: Remember, Understand

Activity duration: 15-20 minutes

National Standards for Personal Financial Education, 2021

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

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.
- Review the “[Taxes: Understanding the basics](#)” [handout](#).
- 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>.

What you’ll need

THIS TEACHER GUIDE

- [Understanding jobs, teens, and taxes \(guide\)](#)
[cfpb_building_block_activities_understanding-jobs-teens-taxes_guide.pdf](#)

STUDENT MATERIALS

- [Understanding jobs, teens, and taxes \(worksheet\)](#)
[cfpb_building_block_activities_understanding-jobs-teens-taxes_worksheet.pdf](#)
- [Taxes: Understanding the basics \(handout\)](#)
[cfpb_building_block_activities_taxes-understanding-basics_handout.pdf](#)

Exploring key financial concepts

Taxes are 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. Common types of taxes include income, payroll, sales, and property taxes. Income and payroll taxes are both connected to how much you earn. Understanding taxes can be an important step toward growing knowledge and skills related to financial life.

Payroll taxes include Social Security and Medicare taxes. Social Security taxes provide benefits for retired workers, people with disabilities, and the dependents of both. Medicare taxes provide medical benefits for people who are 65 or older, certain younger people with disabilities, and people with permanent kidney failure requiring dialysis or a transplant. (Social Security and Medicare taxes are referred to as FICA on your paystub. FICA stands

TIP

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

for Federal Insurance Contributions Act, the law authorizing the payroll tax for Social Security and Medicare.) Federal income taxes are used to pay for national programs such as defense, foreign affairs, law enforcement, and interest on the national debt.

Teaching this activity

Whole-class introduction

- Ask students to share what they know about taxes.
- Read the “Exploring key financial concepts” section to students.
- Be sure students understand key vocabulary:
 - **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.
 - **Payroll tax:** Taxes taken from your paycheck, including Social Security and Medicare taxes.
 - **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.
 - **Tax refund:** Money owed to taxpayers when their total tax payments are greater than the total tax. Refunds are received from the government.
 - **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.

TIP

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

Individual or group work

- Distribute the “Understanding jobs, teens, and taxes” worksheet and the “Taxes: Understanding the basics” handout.
- Students can work individually or with a partner to complete the worksheet.
- Students will read the handout and use it to answer the worksheet questions.

Wrap-up

Review answers with students through a whole-class discussion.

Suggested next steps

Consider searching for other CFPB activities that address the topic of earning, including making money, getting paid, or paying taxes. Suggested activities include “Understanding taxes and your paycheck” and “Investigating payroll tax and federal income tax withholding”.

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

Students’ responses on the worksheet and during discussion can give you a sense of their understanding.

This answer guide provides suggested answers for the “Understanding jobs, teens, and 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

1. Teenagers usually have their taxes withheld from their paycheck by their **employer**.
2. When you get a job, you’ll fill out a **W-4** tax form so that your employer withholds the correct amount from your pay.
3. If you have a job where you receive tips, you must also report that as tip **income**.
4. People who are employed as independent contractors receive a **1099-NEC** form that lists money paid to them.
5. One way many teenagers earn income is through **self**-employment, such as babysitting or lawn care.
6. Even if you don’t earn enough money to file a federal income tax return, you should still file because it might allow you to receive a tax **refund**.
7. You can change the amount of income tax you owe by claiming **tax credits** and **tax deductions** on your tax return.

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