

# 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?”
  
  
  
  
  
  
  
  
  
  
- 9. As a person living in the United States you are a taxpayer. What are two benefits you receive from the taxes you 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?
  
13. What is the Medicare program?
  
14. If an employee owes \$250 for payroll taxes, how much will the employer need to pay for payroll taxes?
  
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)