**TEACHERS**

**LESSON NINETEEN**

**Income Taxes**

**Introduction**

Benjamin Franklin once said “nothing is as sure as death and taxes.” A certain amount of income tax is withheld from each paycheck, and that tax goes to the state or federal government to pay for public goods and services. The U.S. income tax program is designed to make taxation more “fair” because it is a progressive tax. Progressive taxes take a larger percentage of income from higher income groups than from lower income groups and are based on our “ability to pay.” The opposite is a regressive tax, meaning lower income earners pay a higher percentage of their income than higher income earners pay. The rate may be the same, but the impact is different. Our federal tax structure is designed to be somewhat progressive — the more we make, the more we pay because higher income earners have a greater ability to pay than lower income earners. To ensure we pay the correct amount, the government requires us to file an income tax return due April 15th of each year. Paying taxes is part of the responsibility of living in a market-based economy.

**Definition of the week**

**Progressive tax:** A tax taking a higher percentage of income from high income groups than from low income groups.

**Purpose**

This lesson will help students understand progressive taxes. Students will compute tax liability for different wage-earners. Progressive taxes collect a larger percentage of income from higher income earners compared to lower income earners. Students will compute tax liability for different wage-earners.

**Tool Kit**

- Employment advertisements or copy of U.S. Department of Labor Occupational Handbook
- Tax brackets

**Procedure**

1. Tell students April 15th is approaching; ask why that date is important. Remind them everyone who draws a paycheck is required to pay income taxes, and April 15th is the final day to pay those taxes.

2. Show them the tax brackets on the left. Discuss how income tax rates are set by the federal government and vary for different income groups. Have students choose five different careers that interest them and find annual income information on each. Help them select careers with different potential income. Use the tax brackets to compute the annual tax liability for each job. To compute income tax, note the following example: Someone earning $100,000 per year, pays 10% income tax on the first $7,000, 15% on the next $28,400, 25% on the next $68,800, etc. — rather than a straight 28% on the entire amount. Also, assume there are no tax deductions or exemptions in this activity, and remind students most states require income tax payments in addition to the federal income tax.

### Scavenger Hunt

The Internal Revenue Service is an agency of the federal government with the responsibility of collecting income taxes. Visit the IRS website at www.irs.gov to complete the following scavenger hunt on taxes.

1. The IRS was established in ______________ by __________________________.

2. Other taxes collected by the IRS include ________________________________.

3. In 2003, the IRS processed ________________ tax returns and collected________________ in total revenue for the federal government.

4. The IRS Privacy Policy says ___________________.

5. List the Taxpayer Rights

   ________________________________________________

6. The four kinds of income often received by students are ____________________________

7. My favorite student activity on the IRS website is __________________ because ____________________________.

8. My favorite tax lesson is __________________ and I learned ____________________________.

9. A regressive tax is defined as ___________________, an example is _________________.

10. The first electronic tax return was filed in __________________.

11. Taxpayers receive a refund from the IRS when ____________________________.

12. The U.S. tax system is based on voluntary compliance; tax ____________ is legal but tax ________________ is not legal.