Where Taxes Go

Trace how taxes affect income, households, and public services.

9-12.EC.21 "Analyze the federal, state, and local tax systems and how they relate to each citizen and the citizen's income and the society."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each tax Maya or her household may pay, and number it 1 for federal, 2 for state, or 3 for local. Circle one sentence that explains how a tax may affect a household with less income.

Maya's Paycheck and Purchase

1. Maya works at a neighborhood grocery store and earns wages each week. Her pay stub lists federal income tax withheld and payroll taxes for Social Security and Medicare. Withholding is an advance payment toward her federal income tax bill, not necessarily her final bill. Federal income tax uses brackets, so higher slices of taxable income face higher rates; a person with little taxable income may owe no federal income tax. Payroll taxes generally apply to wages even when no federal income tax is owed. Federal revenue supports services and programs across the country, including national defense and health programs.

2. On her way home, Maya buys a jacket in a state that charges a sales tax. She pays that tax at the register, whether or not she owes federal income tax. Her state also taxes income, but states make different choices: some have no state income tax, and sales tax rates and exemptions differ. Her county collects property tax from the owner of the apartment building where Maya lives. Maya's family does not pay that bill directly, but property taxes can be one cost a landlord considers when setting rent. State taxes help pay for roads and schools; local taxes can help pay for schools and emergency services.

3. These taxes connect income to shared needs in different ways. A person with a higher taxable income generally pays a greater share of that income in federal income tax than a person with a lower taxable income. A sales tax takes the same percentage of a taxable purchase from both shoppers, but it may take a larger share of a low-income household's total income because that household must spend more of its earnings. Property taxes can make housing costs higher for renters as well as owners. Tax choices involve tradeoffs: raising revenue can improve public services, while the burden may fall unevenly across households.

2 ANSWER WITH EVIDENCE

Use the passage

1. If Maya owes no federal income tax, why might taxes still come out of her wages? What could happen to federal income tax withheld from her pay?

2. How might Maya's household pay state and local taxes differently when she buys a jacket and when her family pays rent?

3. How can a sales tax take a larger share of a low-income household's income even if two households pay the same tax rate on a jacket?

4. Compare what one federal tax and one local tax in the passage tax. Name a public service each level can support.

3 YOUR TURN

Your own words

Imagine a town adds a local tax on movie tickets to fund evening library hours. In 4 to 5 sentences, compare how it could affect a student with little income and a higher-income adult, explain one community benefit and one limitation, and relate the new tax to a federal or state tax.

ANSWER KEY

Where Taxes Go

HIGH SCHOOL · 9-12.EC.21

PART 1 · READ AND MARK

Underline each tax Maya or her household may pay, and number it 1 for federal, 2 for state, or 3 for local. Circle one sentence that explains how a tax may affect a household with less income. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	If Maya owes no federal income tax, why might taxes still come out of her wages? What could happen to federal income tax withheld from her pay?	**Payroll taxes generally apply to wages even when no federal income tax is owed. Income tax withholding is an advance payment, so she may receive it back as a refund if she owes none.**
2	How might Maya's household pay state and local taxes differently when she buys a jacket and when her family pays rent?	**Maya pays state sales tax directly at the register. Her family may pay local property tax indirectly because the landlord can consider it when setting rent.**
3	How can a sales tax take a larger share of a low-income household's income even if two households pay the same tax rate on a jacket?	**A low-income household may spend more of its income on purchases, so sales taxes can use up a larger share of its total income.**
4	Compare what one federal tax and one local tax in the passage tax. Name a public service each level can support.	**Federal income tax applies to taxable income and can support national defense. Local property tax is collected from property owners and can support schools or emergency services.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A student with little income might skip a movie because the new ticket tax makes it harder to afford. A higher-income adult might pay the same tax per ticket but notice less strain on their budget. Evening library hours could give more residents a place to study, although people who never buy movie tickets would not help fund them through this tax. Unlike this local tax on purchases, federal income tax depends on taxable income.

Accept other accurate comparisons that distinguish direct taxes from costs that may be passed to renters. For the open task, the limitation may concern the tax burden, uneven funding, or who pays.