Taxes and Tradeoffs

How tax bills shape household choices and town services

9-12.EC.22 "Explain how sales and property taxes affect financial decisions in terms of both personal finances and public services provided to citizens."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two ways taxes change household budgets, circle two public services supported by tax revenue, and write 1 beside Maya's purchase and 2 beside her uncle's property tax bill.

A Laptop, a Home, and a Town Budget

1. On Saturday, Maya finds a laptop priced at $500 in a store. Her town charges a 6% sales tax on this purchase, so the tax adds $30 and the checkout total is $530. Maya had set aside $520. She could save another $10, choose a less expensive laptop, or wait for a sale. Sales tax is collected when taxable items are purchased, although which items are taxable varies by place. A shopper who compares only sticker prices may miss the actual cost. When taxable spending rises, the town may collect more sales tax revenue to use in its budget.

2. Maya's uncle owns a home with a taxable assessed value of $180,000. At the town's property tax rate of 1%, he owes $1,800 for the year. He puts $150 into savings each month so the bill does not force him to borrow or delay repairs. Property tax is tied to a property's taxable value rather than how often its owner shops. Renters do not usually receive the property tax bill for a rented home, but landlords may account for that cost when setting rent. An increase in the tax bill can change what households can afford each month.

3. The town uses revenue from both taxes to help pay for public services, including its library and street maintenance. The council is considering longer library hours and repairs to a busy sidewalk. If taxable spending falls, sales tax receipts may fall, making those plans harder to fund. Property taxes can provide a more predictable source of revenue, but changing property values or tax rates can change what the town collects. Tax dollars are not automatically assigned to a particular project: elected officials make budget choices. Residents may want more services while also worrying that higher tax bills leave less money for their own needs.

2 ANSWER WITH EVIDENCE

Use the passage

1. How does sales tax change Maya's laptop choice, and how could the tax collected help the town?

2. Why does Maya's uncle save $150 each month, and how could his property tax payment affect town services?

3. If taxable spending falls, what might happen to the library or sidewalk plans? Explain the link.

4. How might a higher property tax rate affect both a renter's budget and the town's ability to provide services?

3 YOUR TURN

Your own words

Imagine your town is deciding whether to fund a weekend bus route. You own a home with a $200,000 taxable assessed value and want to buy a $250 bike; using a 1% property tax and a 6% sales tax on the bike, write four or five sentences that calculate both tax amounts, explain a budget decision, and connect both taxes to possible bus funding.

ANSWER KEY

Taxes and Tradeoffs

HIGH SCHOOL · 9-12.EC.22

PART 1 · READ AND MARK

Underline two ways taxes change household budgets, circle two public services supported by tax revenue, and write 1 beside Maya's purchase and 2 beside her uncle's property tax bill. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How does sales tax change Maya's laptop choice, and how could the tax collected help the town?	**The $30 tax raises the total to $530, which is $10 more than Maya saved, so she must save more, choose a cheaper laptop, or wait. Sales tax revenue could help fund town services.**
2	Why does Maya's uncle save $150 each month, and how could his property tax payment affect town services?	**Saving $150 a month prepares him for his $1,800 yearly tax bill without borrowing or delaying repairs. Property tax revenue helps pay for services such as the library and street maintenance.**
3	If taxable spending falls, what might happen to the library or sidewalk plans? Explain the link.	**The town may collect less sales tax revenue, making longer library hours or sidewalk repairs harder to fund.**
4	How might a higher property tax rate affect both a renter's budget and the town's ability to provide services?	**A landlord may account for a higher tax bill when setting rent, raising a renter's costs. The town may collect more property tax revenue for services, depending on its budget choices.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The bike would cost $265 after the 6% sales tax, including $15 in tax. A home with a $200,000 taxable assessed value would have a $2,000 annual property tax bill at 1%. I would set aside about $167 a month for that bill and delay buying the bike until I could pay $265. Both taxes could help fund the weekend bus route if town officials choose to use the revenue for it.

Accept different budget decisions if students calculate both taxes correctly and explain how the payments could support the bus route. Do not require students to claim that either tax is dedicated to bus service.