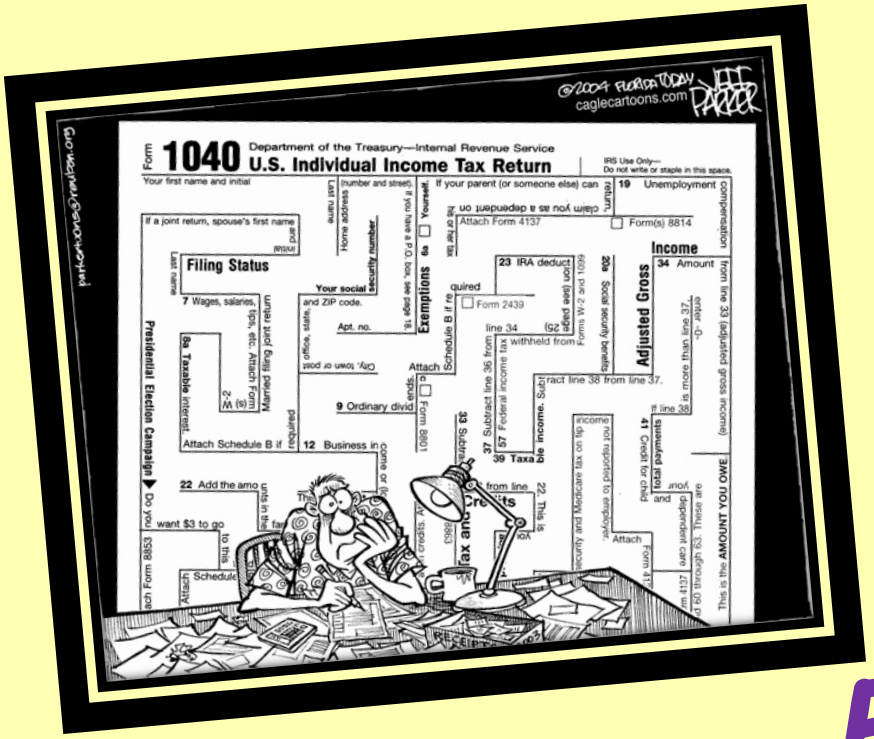
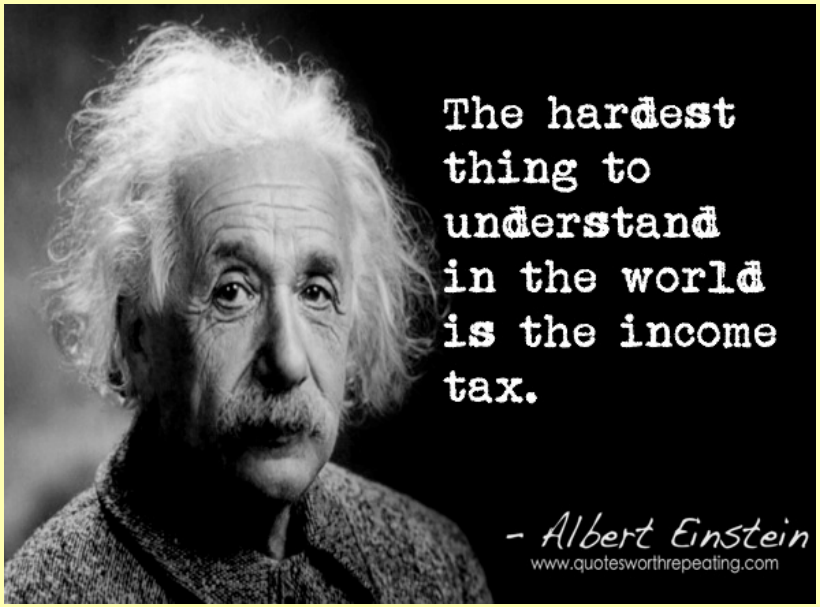
Taxes
Are they Fair?

Social Studies

What DO TAXES PAY FOR? Brainstorm ideas

WHAT IF WE NEVER USE THESE?



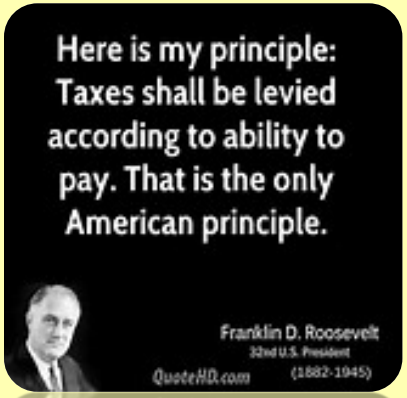


FYI:

"Life is not fair and,
Fair is not equal"

Taxes aren't fair!!

Measuring Fairness



2 Criteria used to measure fairness in taxes:

Benefits Received

- people should pay taxes if they receive the "benefits" from it

Ability to Pay

- taxes should be in proportion to your wealth – if you can pay more you should

Measuring Fairness - Example

Gasoline tax

- Used to pay for highways.
- Paid per gallon.
- More you use, the more you pay because you obviously use the roads more.

- = **Benefits Received**

Measuring Fairness - Example

Property Tax

- Supports schools
- Based on value of home
- More expensive home = more tax

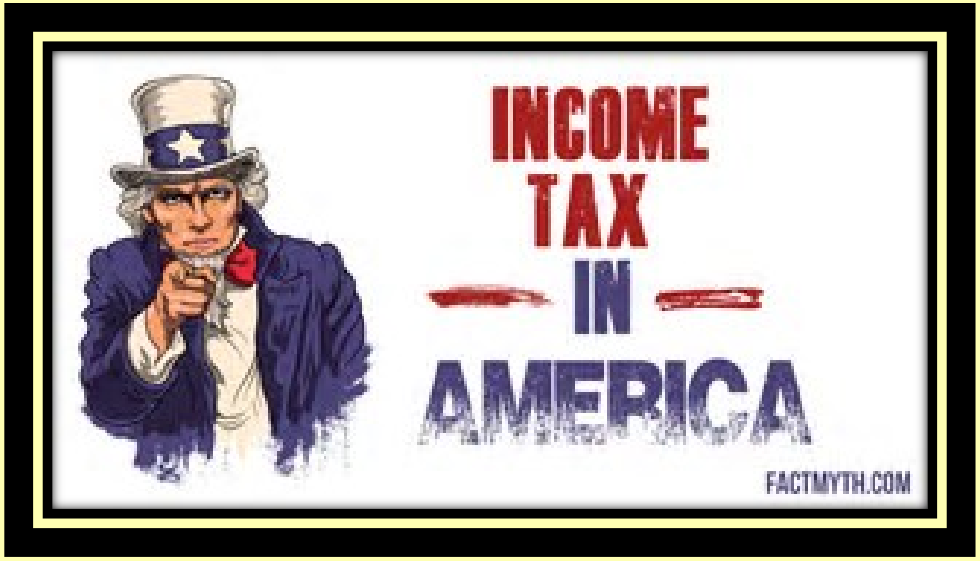
- **= Ability to Pay**

Measuring Fairness - Example

Income Tax

- Supports Social Security
- Based on amount you make
- More you make = more they take

- **= Ability to Pay**



Measuring Fairness - Example

Hunting License

- Supports land programs
- Purchased when hunting

- **= Benefits Received**

Regressive Tax

- *percentage of income paid in taxes DECREASES as income INCREASES

- *greater burden on poor than on rich

- *ex. sales tax and sin tax

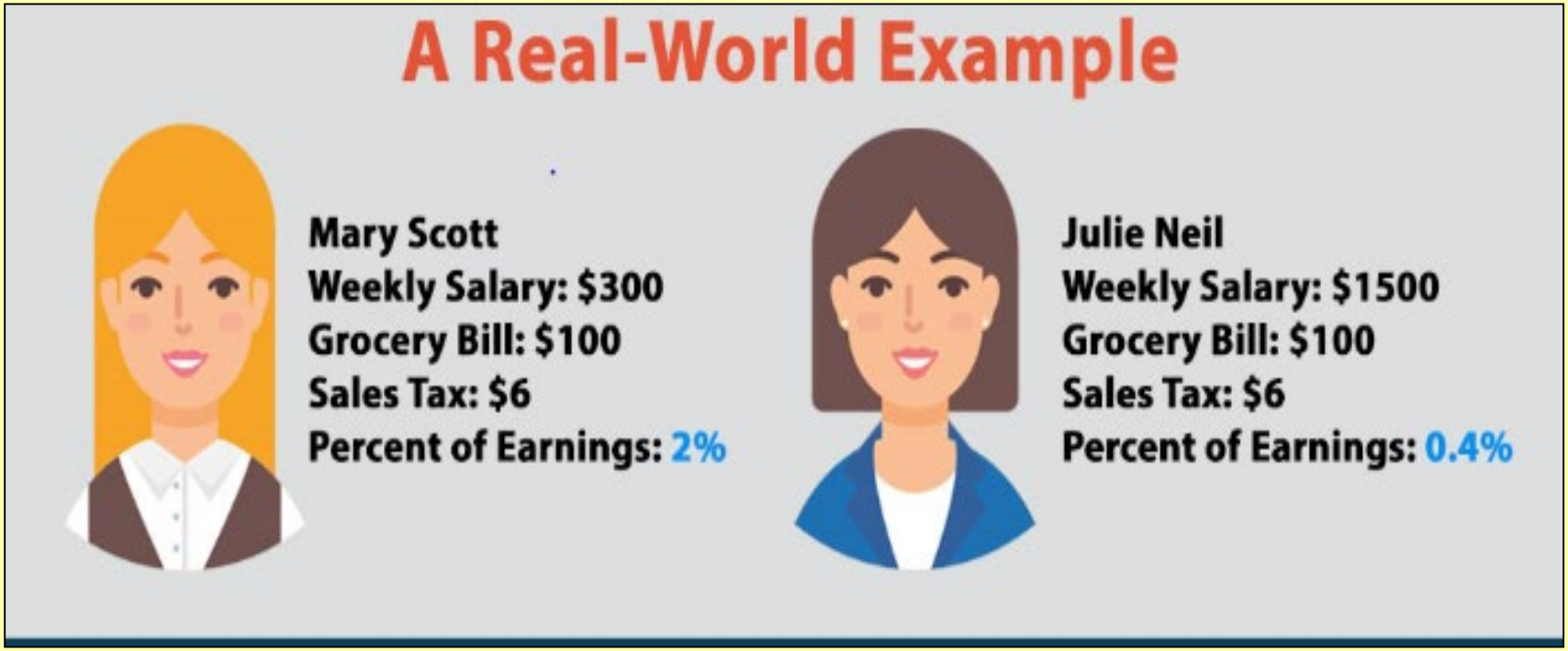
*Example

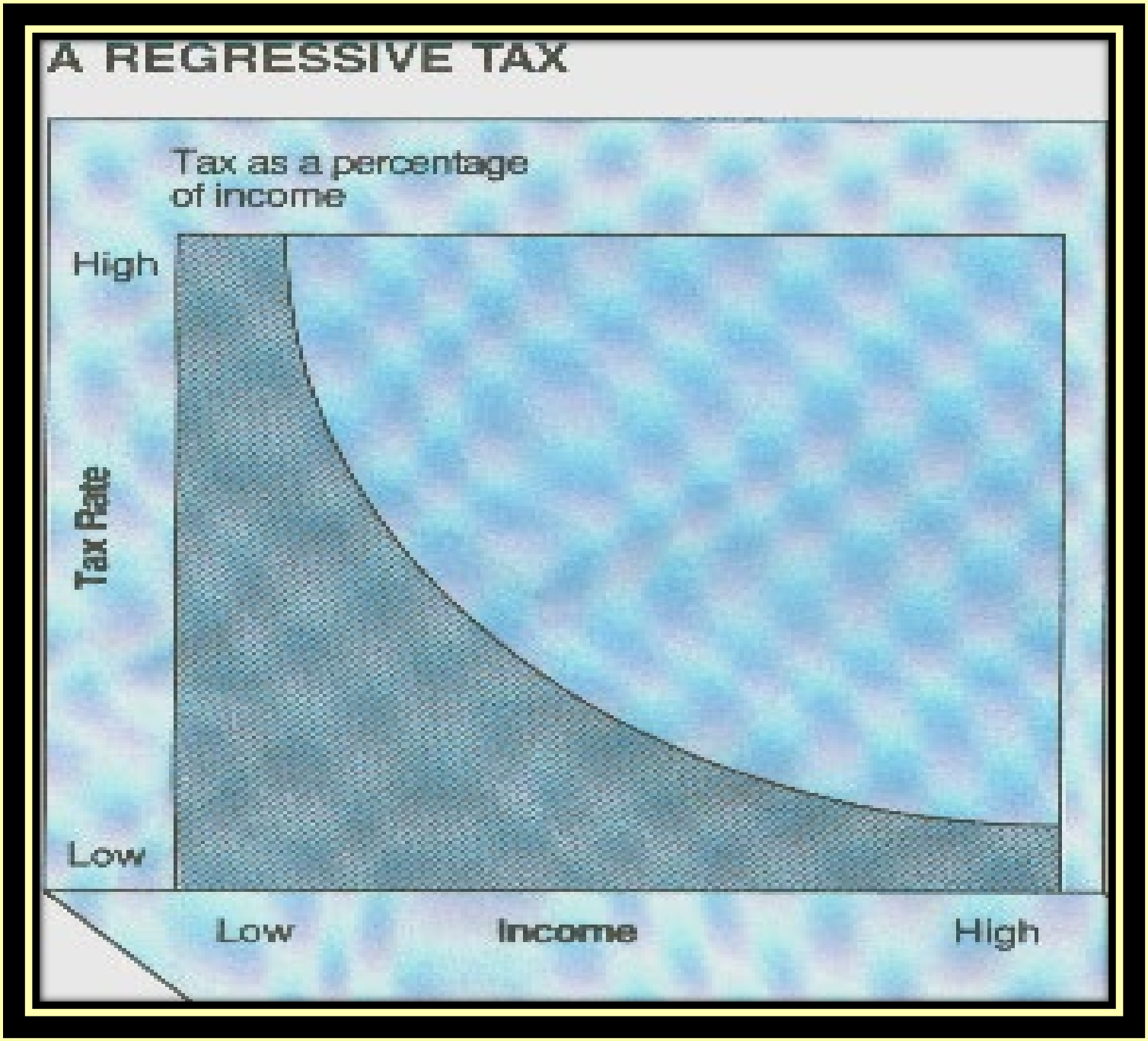
- make $50,000, taxed at 4% = **$2,000**
- make $80,000, taxed at 2% = **$1,600**

"Why do I need to pay sales tax when it wasn't on sale?"

How is Sales Tax Regressive?

- People who earn less pay a larger percentage of their salary in the form of sales tax, as compared to those who earn more.




A REGRESSIVE TAX
Tax as a percentage of income
High
Tax Rate
Low
Low
Income
High

Progressive Tax

- tax rate increases as the income increases
- *the more you make, the more they take
- *reduces the tax burden on people with a lower ability-to-pay
- *ex. Income tax

Progressive Tax Examples

Example

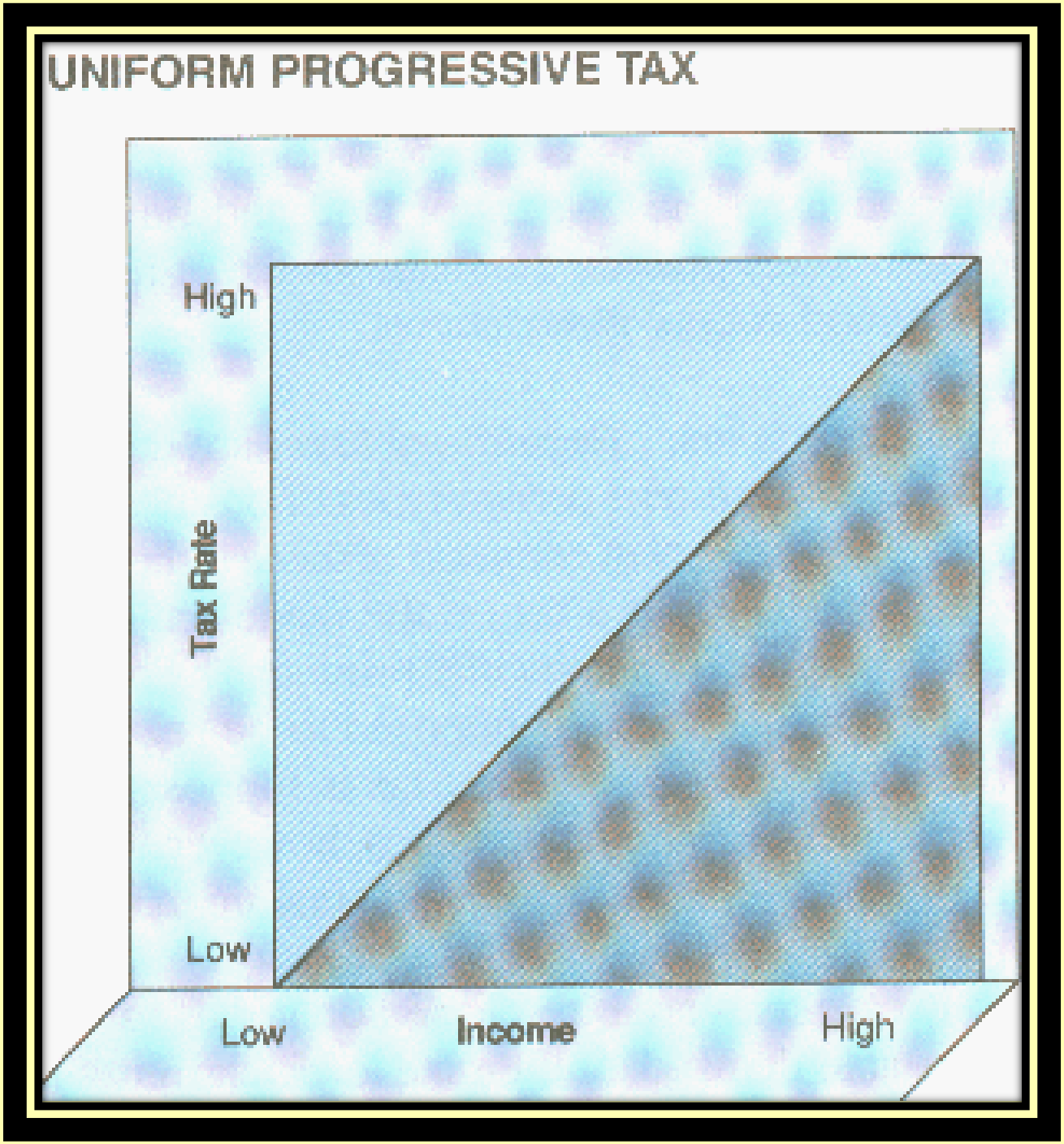
- $10,000 pay 10% = $**1,000**
- $20,000 pay 15% = $**3,000**
- $40,000 pay 25% = $**10,000**
- $100,000 pay 28% = $**28,000**
- $500,000 pay 40% = $**200,000**

Progressive tax rates

Tax Progress For 2019

Tax bracket	Single	Married Filing Jointly	Head of Household
10%	0–$9,525	0–$19,050	0–$13,600
12%	$9,525–$38,700	$19,050–$77,400	$13,600–$51,800
22%	$38,700–$82,500	$77,400–$165,000	$51,800–$82,500
24%	$82,500–$157,500	$165,000–$315,000	$82,500–$157,500
32%	$157,500–$200,000	$315,000–$400,000	$157,500–$200,000
35%	$200,000–$500,000	$400,000–$600,000	$200,000–$500,000
37%	$500,000 and up	$600,000 and up	$500,000 and up

2019 Federal Income Tax Rates


UNIFORM PROGRESSIVE TAX
High
Tax Rate
Low
Low
Income
High

Flat or Proportional Tax
Is a regressive tax

- tax rate fixed as the amount subject to taxation increases
- *imposes an equal burden on the rich and poor
- *% of income paid SAME for all income levels

Example

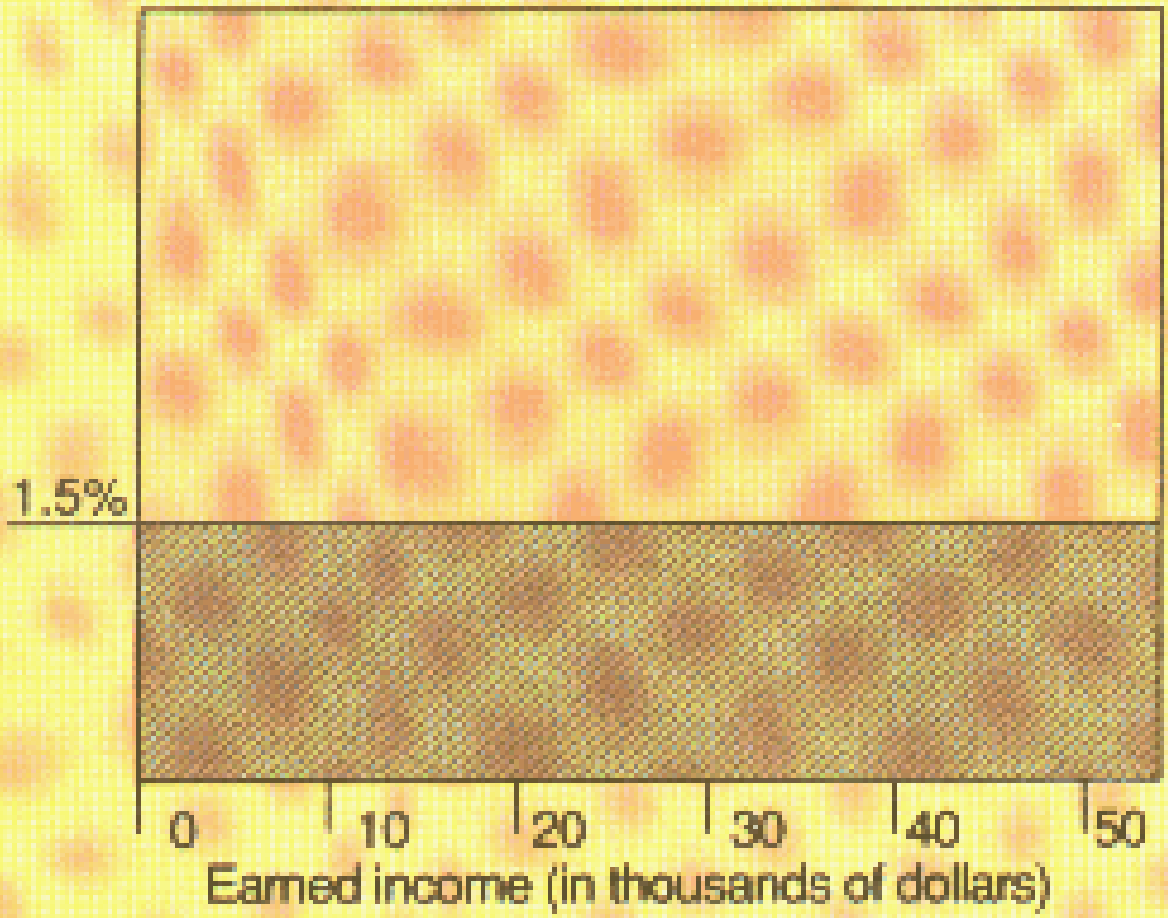
- 5% of $25,000 = $**1,250**

- 5% of $50,000 = $**2,500**

- 5% of $70,000 = $**3,500**

- Favored by the poor

A PROPORTIONAL TAX



Guided Notes: Types of Taxes

Name: _____ **Per:** ____

Taxes - Are They Fair?

Measuring Fairness

*Two criteria used to measure fairness in taxes:

Benefits received =
People should pay taxes if they receive the "benefits" from it

Ability to pay =
Taxes should be in proportion to your wealth if you can pay more you should

EXAMPLES

_____ tax

- Used to pay for highways
- Paid per gallon
- More you use, the more you pay because you obviously use the roads more

= _____

_____ tax

- Supports schools
- Based on value of home
- More expensive home = more tax

= _____

_____ tax

- Supports Social Security
- Based on amount you make
- More you make = more they take

= _____

_____license

- Supports land programs
- Purchased when hunting

= _____

Three Types of Tax Plans

Regressive Tax

*percentage of income paid in taxes DECREASES as income INCREASES

*greater burden on poor than on rich

*ex. sales tax and sin tax

*Example

$50,000 taxed at 4% = _____

$80,000, taxed at 2% = _____

Favored by the _____

Progressive Tax

*tax rate increases as the income increases

*the more you make, the more they take

*reduces the tax burden on people with a lower ability-to-pay

*ex. Income tax, luxury car tax

Example
$10,000 pay 10% = $_____

$20,000 pay 15% = $_____

$40,000 pay 25% = $_____

$100,000 pay 28% = $_____

$500,000 pay 40% = $_____

Favored by the _____

Proportional Tax Flat Tax

* tax rate fixed as the amount subject to taxation increases

*imposes an equal burden on the rich and poor

*% of income paid SAME for all income levels

Example
5% of $25,000 = $_____

5% of $50,000 = $_____

5% of $70,000 = $_____

Favored by the_____

Name: _____**Per:** ____

Progressive Tax

Directions:
Match the descriptions below to the correct terms. Write the letter of each term in the space provided.

A. progressive tax
B. increases
C. inheritance
D. federal income tax
E. higher

1. ____ A progressive tax is a tax whose rate _____ as the amount being taxed increases.
2. ____ This is a progressive tax that people pay the federal government on their income.
3. ____ In a progressive tax system, the higher your income, the_____ the amount of tax you pay.

Indicate whether each of the following statements below is True /False. Write your answer in the space provided.
4. _____ A progressive tax takes a smaller part of income from low-income groups than from high-income groups.
5. _____ Progressive taxes include fixed amounts of tax on each individual or household.
6. _____ A person's tax bracket depends on that person's earnings.

Answer the following multiple-choice questions. Write the letter of the response that best answers each question in the space provided.

____ 7. A progressive tax takes the largest percentage of income from which group?
A. middle-income
B. low-income
C. high -income
D. people with no income

____ 8. Which of the following is an example of a progressive tax?
A. Low-income pays 10%, middle-income pays 15%, and high-income pays 30%.
B. Low-income pays 15%, middle-income pays 15%, and high-income pays 15%.
C. Low-income pays 15%, middle-income pays 5%, and high-income pays 39.6%.
D. Low-income pays 10%, middle-income pays 5%, and high-income pays 3%.

____ 9. The United States uses a progressive income tax
A. because it raises a larger amount of money by taking more from high-income levels.
B. because it is most fair to all groups.
C. because it helps distribute the wealth.
D. All of the above.

Complete the progressive tax chart below. To find the amount of tax, use this formula: income X percent of income paid in tax = amount of tax. Example: $25,000 X 15 (15%) = $3,750. +2 ½

PROGRESSIVE TAX		
Income	**Percentage of Income Paid in Tax**	**Amount of Tax**
$5,000	10%	
$50,000	25%	
$100,000	28%	
$150,000	33%	
$350,000	35%	

Proportional Tax

Directions:

Match the descriptions below to the correct terms. Write the letter of each term in the space provided.

A. sales taxes
B. equitable
C. regressive
C. regressive
D. flat tax
E. same

10. ____ A proportional income tax is a tax in which all income levels are taxed at the _____rate.
11. ____ A proportional tax may at first seem to be a fair form of taxation, but the effects are often _____.
12. ____ Proportional taxes, at first glance, may appear to be _____.
13. ____ A proportional tax is often referred to as _____.
14. ____ Many states use a proportional type of _____ on merchandise.

Indicate whether each of the following statements below is True or False. Write your answer in the space provided. + 1

15. _____ A proportional income tax takes the same percentage of income from all income groups.
16._____ Our federal income tax is a proportional tax.

Answer the following multiple-choice question. Write the letter of the correct response in the space provided.

____ 17. A flat tax is the same as a

A. proportional tax.
B. progressive tax.
C. regressive tax
D. none of the above

Complete the proportional tax chart below. To find the amount of tax, use this formula: Income x percentage of income paid in tax = amount of tax. Example: $15,000 X .10 (10%) - $1,500.

PROPORTIONAL TAX		
Income	Percentage of Income Paid in Tax	Amount of Tax
$5,000	10%	
$10,000	10%	
$25,000	10%	
$50,000	10%	
$100,000	10%	

Regressive Tax

Directions:

Match the clues to the correct terms. Write the letter of each term in the space provided.

A. fixed amount
B. income taxes
C. user fee
D. a greater proportion

18. ____ A regressive tax that may at first seem to be a fair form of taxation because everyone, regardless of income level, pays the same _____.

19. ____ Regressive taxes cause lower-income groups to pay _____than wealthier groups pay.

Answer the following multiple-choice question. Write the letter of the correct response in the space provided.

____ 20. A regressive tax takes the largest percentage of income from which group?

A. middle-income
B. low-income
C. high-income
D. people with no income

Use the chart below to answer the following questions:

REGRESSIVE TAX ($1,000 per person)		
Income	**Percent of Income Paid in Tax**	**Amount of Tax**
$5,000	20%	$1,000
$10,000	10%	$1,000
$25,000	4%	$1,000
$50,000	2%	$1,000
$100,000	1%	$1,000

21. If this regressive tax were used as an income tax, which group of people would pay the highest percentage rate of taxes and which would pay the lowest?

_____

22. Cory works at a fast-food restaurant. He makes $10,000 a year. How much would he take home after paying this regressive income tax? How much would his boss, who makes $25,000, take home?

_____

23. Marta was making $45,000. She just got a $5,000 raise. Under the regressive tax shown in the chart, would the share of her income that she pays in taxes increase or decrease? What percent would she be paying after the raise?

_____