Taxes 101

Know the taxes that touch your paycheck and purchases, and how each one is structured.

Name: _____ Date: _____

OBJECTIVE

Describe the major U.S. taxes and explain the difference between progressive, regressive, and proportional tax structures.

1. Match the tax to what it taxes

____ 1. Income tax	A. The value of real estate you own, usually funds local schools and services
____ 2. Sales tax	B. What you earn from wages, salary, or self-employment
____ 3. Property tax	C. The profit made from selling an investment or asset
____ 4. Capital gains tax	D. Purchases of goods and services at checkout
____ 5. Estate tax	E. The transfer of wealth from someone who has died

2. Progressive, regressive, or proportional?

Two households buy the same $50 of groceries taxed at an 8% sales tax.

Household	Monthly income	Tax paid	% of income
Household A	$2,000	$4.00	
Household B	$8,000	$4.00	

Which household gave up a bigger share of its income? What does that make this sales tax: progressive, regressive, or proportional? _____

3. Label the tax bracket system

The U.S. federal income tax charges a higher RATE as income rises.

Tax type	Definition	Example
Progressive		U.S. federal income tax
Regressive		Sales tax on a fixed-price item
Proportional		A flat state income tax rate

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FILL IN
Write a one-sentence definition of each tax type in the middle column before comparing with a partner.

4. Georgia has no estate tax, but the federal government taxes very large estates. Why might lawmakers exempt smaller estates entirely?