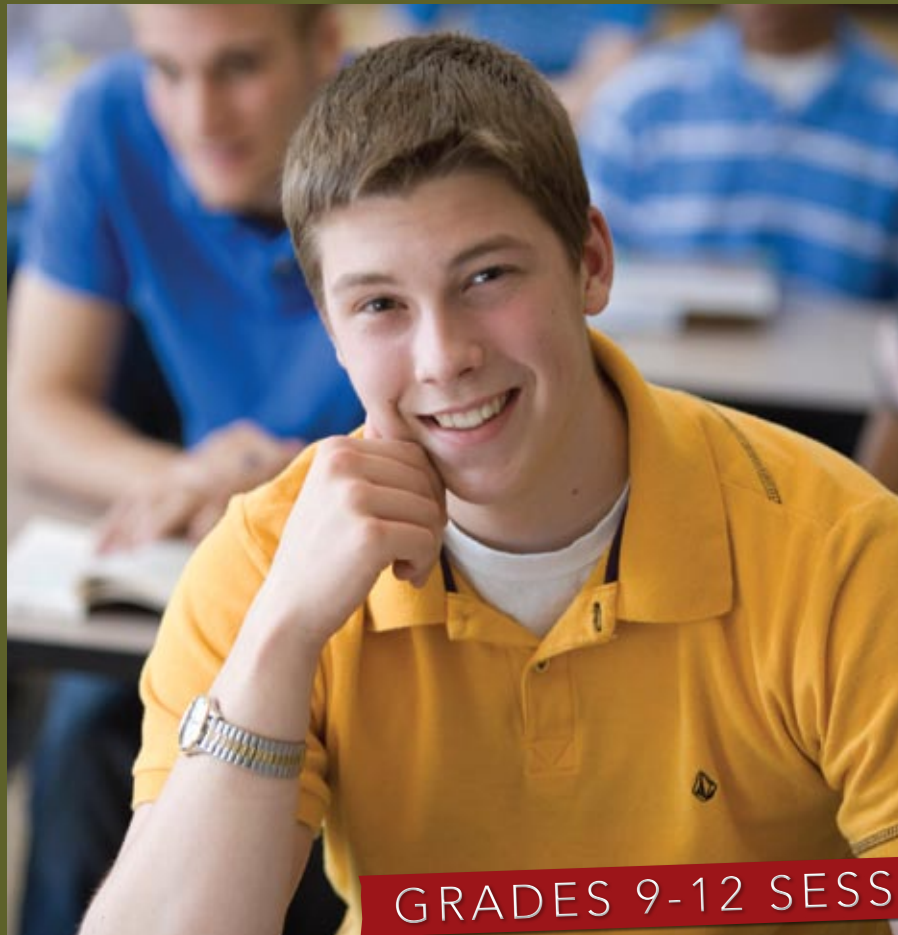


JUNIOR ACHIEVEMENT
\$AVE, USA



GRADES 9-12 SESSION

What's Up with the Taxes?

What's Up with the Taxes?



GRADES 9-12 SESSION

Acknowledgements

Sponsorship

JA Worldwide (Junior Achievement) gratefully acknowledges the Allstate Foundation for its dedication to the development and implementation of Junior Achievement *\$ave, USA*. JA Worldwide appreciates its partnership with the Allstate Foundation to inspire and prepare young people to succeed in a global economy. JA programs encourage self-confidence and motivate young people to achieve their personal, educational, and career goals.



GRADES 9-12 SESSION

What's Up with the Taxes?

Overview

Students investigate reasons why taxes are a necessary component of a democratic society.

Objectives

Students will be able to:

- Explain how taxes are used to provide services.
- Calculate the difference between gross income and net income.
- Analyze why a person's response to taxation is based on individual wants and needs.

Preparation

Review the session and list of materials. Discuss with the teacher how best to group the students and arrange the room for the activities.

Prepare copies of the student materials listed on Page 2. Separate the Tax Proposal Response Cards, Tax Proposal Cards, and Role Cards.

Work with the teacher to ensure students have access to calculators during the session. If possible, arrange for computer access to use the sites presented in this session.

Become familiar with the Key Terms and concepts presented in the session. If possible, post the Key Terms in a visible place. Consider providing a personal example for each.

Check with the teacher to see if Table Tents are needed or recommended. If you plan to use the Table Tents, ask the teacher to provide you with a current student roster prior to the session.

Recommended Time

This activity typically takes 45 minutes to complete. Ask the teacher to help you keep track of the time.

CONCEPTS

Income tax
Graduated tax system
Gross income
Net income
Compromise

SKILLS

Oral communication
Math computation
Analyze differing opinions
Provide evidence to support opinions

Materials

- Table Tents (per teacher’s recommendation; 1 per student)
- Suzie and Simon’s Income Charts (8 copies; 1 per group)
- Tax Proposal Response Cards (2 copies/8 cards; 1 card per group)
- Role Cards (3 copies/33 cards; 1 card per student)
- Tax Proposal Cards (2 copies/30 cards; 3 cards per group)
- Calculators (not included)
- Pens or pencils (not included)

Presentation

Introduction

Greet the students, and introduce yourself. Briefly describe what you do and where you work. Relate something special you remember about being in high school. Give an example of how a good education has been important in your life and to your professional success.

Explain that you are a **volunteer** with Junior Achievement. Note that Junior Achievement is an organization that teaches students about the importance of business and economics in our lives, our nation, and our world. Junior Achievement seeks to educate and inspire young people to value entrepreneurship, financial literacy, and work readiness, and to improve the quality of their lives.

Mention that you are visiting their classroom as a part of a special Junior Achievement \$ave, USA program that teaches students basic skills to develop sound financial habits.

Explain to the students that in some states, during the fall, there is a tax holiday so that shoppers can save money on back-to-school items (notebooks, backpacks, and other necessities).

Ask the students to raise their hands if they think a tax holiday is a good idea. Allow time for the students to discuss the pros and cons of their opinions.

Explain that no one seems to like paying taxes; however, taxes are necessary to pay for the services provided to citizens.

On the board, make two columns. Label one, National Level, and the other, Local Level. Ask the students to suggest the types of services provided at each of these levels. Possible responses at the national level include: defense, highways, and salaries for federal employees; at the local level: schools, libraries, police, and fire protection.

INTRODUCTION TIME

10 minutes

KEY TERMS

Volunteer: A person who chooses to help another person or business, but receives no pay.

Graduated Tax

System: Taxpayers with higher incomes are taxed at higher rates than those with lower incomes.

Gross Income:

Total income before taxes or other deductions are withheld.

Net Income:

Income remaining after taxes and other deductions are withheld.

Compromise: To settle a dispute by each side making concessions.

Personal Income Taxes are the single largest component of the federal government's revenues. Income tax is regularly deducted from an individual's paycheck. Mention that in 2010, individuals earning less than \$9,750 a year were not required to pay income tax.

Americans also were entitled to an exemption of \$3,650 for each family member. In any tax year, if an individual's total exemptions are greater than what is owed, he or she doesn't pay income tax.

Ask the students to suggest reasons why taxes are withheld from paychecks instead of collected on April 15. Explain that it is necessary to pay for government services on a regular basis and that the government needs money to operate day-to-day. Most taxpayers prefer making regular payments instead of one large payment.

Separate the class into eight groups. Distribute a Suzie and Simon's Income Sheet to each group. Ask the groups to review Suzie's information. As a freelance writer, Suzie earns \$5,000 a month (**gross income**), but she doesn't take home that amount (**net income**).

Both the federal government and her state deduct income tax. She also has a deduction for FICA (6.2% for Social Security and 1.45% for Medicare). Simon, a computer programmer, also pays taxes based on his gross income of \$7,000 a month.

Using calculators, assign half of the groups to calculate Suzie's information. Assign the remaining groups to calculate Simon's information. Allow time for the groups to complete the calculations.

Susie and Simon's Income Sheet Answers:

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Gross Income	Federal Income Tax	State Income Tax 3% (.03 x A)	Social Security 6.2% (.062 x A)	Medicare 1.45% (.0145 x A)	Total Deductions (B + C + D + E)	Net Income or Take-Home Pay (A-F)
\$5,000	\$855.73	\$150	\$310	\$72.50	\$1,388.23	\$3,611.77
\$7,000	\$1,382.90	\$210	\$434	\$101.50	\$2,128.40	\$4,871.60

Have the class review the answers. Point out that there also are online calculators students can use to compute taxes, such as www.suburbancomputer.com/tips_calculator.php.

Reiterate why it's important to use net income and not gross income when developing a personal budget. Explain that Federal Income Tax rates are not the same for everyone. The U.S. tax structure is called a Progressive or **Graduated Tax System**. People who earn more pay a higher tax percentage than those who earn less.

Have the students consider if they believe it is fair for people with higher incomes to pay a higher tax rate than those with lower incomes. Allow a few minutes for discussion.

Explain that in 1913, the 16th Amendment to the Constitution made the income tax a permanent fixture in the U.S. tax system, and that the tax rates have fluctuated throughout history. At that time, the top rate was 7 percent for those earning the highest incomes. The rate jumped to 67 percent in 1917 as a result of World War I.

Explain that between 1932 and 1945, the highest rate rose from 63 percent to 94 percent, and then remained above 86 percent from 1946 until 1963. Since then, the top rate for the highest incomes earned has continued a steady decline, calculated at 35 percent in 2010.

Tell the students that they now have the opportunity to demonstrate how people react to taxes.

Activity

Have the groups select a recorder and distribute a Tax Proposal Response Card to each group. Next, distribute to each group, three Tax Proposal Cards, verifying that each group receives three different Cards.

Give each student a Role Card making sure no two group members receive the same Card. Allow time for the students to review their Role Card and consider what this person might value.

Instruct the recorders to read aloud each Tax Proposal Card. Explain that each group member should consider the tax proposals based on her or his Role Card identity. Emphasize that each proposal will require a tax increase.

ACTIVITY TIME

30 minutes

TEACHING TIP

If your classroom has a Smart Board, consider displaying the information on tax rates available at: taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=213.

Have the recorders poll the group members and record the responses on the Tax Proposal Response Card. Recorders should circle yes or no to indicate the individual responses.

Allow time for the group members to discuss their individual roles, responses to the tax proposals, and reasoning for their votes.

As a class, discuss the need for citizens to compromise in order to achieve their goals. For example, one group wants bike lanes; another wants more classrooms. Money isn't available to do both completely. One option is to build the classrooms first and plan to add the bike lanes at a future date. Another is to build fewer classrooms and add some bike lanes.

Now, ask the groups to review their responses and try to reach consensus on one of the tax proposals. Have each group choose one proposal from its Cards that people do not agree on. Have the groups work together to reach a compromise on the proposal. Explain that they will need to negotiate and bargain with each other, and provide respectful disagreement and solid reasoning.

Some groups may use the other two proposals as bargaining chips. Allow time for groups to reach a consensus. If time permits, groups can continue the discussion and determine which of their proposals should be implemented first and why.

As a class, be sure the students have an opportunity to express their views on the tax proposals.

Summary and Review

Review the importance of compromise and consensus in decision-making. Ask for volunteers to share if they have a new perspective on taxes. Was it difficult to make reasonable arguments from a new point of view?

Thank the students for their participation.

SUMMARY AND REVIEW TIME

5 minutes

Session Outline

Introduction

- Greet the students, and introduce yourself.
- Introduce gross and net income.
- Discuss the role of taxes.

Activity

- Work in groups to analyze tax proposals.

Summary and Review

- Review the importance of compromise.
- Thank the students for their participation.

Answers to Pre-/Post-Test

1. c, 2. a, 3. b, 4. b, 5. b

Suzie and Simon's Income Charts

Directions: Using the percentages and formulas provided, complete the row assigned to your group. Suzie's gross income is \$5,000, and Simon's is \$7,000.

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Gross Income	Federal Income Tax	State Income Tax 3% (.03 x A)	Social Security 6.2% (.062 x A)	Medicare 1.45% (.0145 x A)	Total Deductions (B+C+D+E)	Net Income or Take-Home Pay (A-F)
\$5,000	\$855.73					
\$7,000	\$1,382.90					

The accuracy of the chart can be affected by two factors:

- Federal income taxes are calculated on a graduated scale.
- Every taxpayer is entitled to a personal exemption (the exemptions are factored in).

Role Cards



<p>ROLE CARD</p> <p>Homeowner</p>	<p>ROLE CARD</p> <p>Renter</p>	<p>ROLE CARD</p> <p>Commuter (car)</p>
<p>ROLE CARD</p> <p>Commuter (public transportation)</p>	<p>ROLE CARD</p> <p>Senior citizen without children</p>	<p>ROLE CARD</p> <p>Bicyclist</p>
<p>ROLE CARD</p> <p>Military personnel</p>	<p>ROLE CARD</p> <p>Outdoor camping enthusiast</p>	<p>ROLE CARD</p> <p>Physically disabled person</p>
<p>ROLE CARD</p> <p>Business owner</p>	<p>ROLE CARD</p> <p>College student</p>	

Tax Proposal Cards



TAX PROPOSAL CARD

**Classroom additions
for schools**

TAX PROPOSAL CARD

**Increased roadway
maintenance**

TAX PROPOSAL CARD

**Hospital
improvements**

TAX PROPOSAL CARD

**State and national
park improvements**

TAX PROPOSAL CARD

**Neighborhood
beautification
projects**

TAX PROPOSAL CARD

**Downtown business
district renovations**

TAX PROPOSAL CARD

**Additional bike
lanes throughout
the city**

TAX PROPOSAL CARD

**Commuter train
upgrades**

TAX PROPOSAL CARD

Highway repairs

TAX PROPOSAL CARD

**College grants for
veterans**

TAX PROPOSAL CARD

**Scholarships for
state universities**

TAX PROPOSAL CARD

**Free legal advice
for citizens**

TAX PROPOSAL CARD

**Increased wheelchair
accessibility in
public parks**

TAX PROPOSAL CARD

**Affordable child
care for working
families**

TAX PROPOSAL CARD

**Increased police
and fire protection
services**

Tax Proposal Response Card



Name and Role	Tax Proposal One	Tax Proposal Two	Tax Proposal Three
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No

Name and Role	Tax Proposal One	Tax Proposal Two	Tax Proposal Three
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No

Name and Role	Tax Proposal One	Tax Proposal Two	Tax Proposal Three
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No

Name and Role	Tax Proposal One	Tax Proposal Two	Tax Proposal Three
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No
	Yes or No	Yes or No	Yes or No

Student Information

1. What are the first three letters of your **last** name?
2. When were you born?
Month Day Year
3. What grade are you in? (Please check one box only.) 9th 10th 11th 12th Other: _____
4. NOT including this session, how many times have you participated in JA?
(Please check one box only.)
This is my first time. 1 2 3 4 5 or more
5. Are you completing the pre- or post-test?
 Pre-Test
 Post-Test

Knowledge Questions (Please circle the correct answer.)

1. Taxes pay for all of the following services except:
 - a. Roads.
 - b. Schools.
 - c. Car insurance.
 - d. Police protection.
2. Which of the following is true?
 - a. People who earn more pay a higher tax percentage than those who earn less.
 - b. People who earn less pay a higher tax percentage than those who earn more.
 - c. People pay the same amount of tax regardless of income.
 - d. People who earn less than \$9,000 pay income taxes.
3. Which of the following taxes is regularly deducted from an individual's paycheck?
 - a. Sales tax.
 - b. Income tax.
 - c. Bank tax.
 - d. Property tax.

Read the profile below to answer question 4.

Gina is a single woman who lives by herself and is a district manager for a chain of home improvement stores. She earns an annual salary of \$55,000. However, each month she pays \$1,040 for federal income taxes, \$475 for Social Security, and \$200 for Medicare.

4. What is Gina's net monthly income?
 - a. \$4,440.42
 - b. \$2,868.33
 - c. \$4,583.33
 - d. \$2,768.33

5. When developing a personal budget, it is important to base it on:
 - a. Gross monthly income.
 - b. Net monthly income.
 - c. Monthly federal taxes.
 - d. Credit card debt.

6. Financial Management Behaviors

Please indicate the extent to which you engage in the following behaviors.		Never	Rarely	Sometimes	Often	Always
a.	I save my money.	1	2	3	4	5
b.	I have a bank account.	1	2	3	4	5
c.	Before I buy something, I stop to think if I need it or not.	1	2	3	4	5
d.	I save my money for future wants and needs.	1	2	3	4	5
e.	I know how to protect my privacy.	1	2	3	4	5
f.	I set personal financial goals for myself.	1	2	3	4	5
g.	I track how I spend my money regularly.	1	2	3	4	5

Post-Test Only

Are these sentences true for you?				
Please check the box under the answer that applies to you.		Yes	No	I don't know
a.	Junior Achievement made school more interesting.			
b.	Junior Achievement made me aware of career options.			
c.	Junior Achievement was fun.			
d.	Junior Achievement provided a challenge.			
e.	Junior Achievement connected what I learned in the classroom with real life.			
f.	Junior Achievement helped me prepare for the future.			
g.	Junior Achievement made me realize the importance of staying in school.			

Would you recommend this program to a friend? Yes No

List two things you learned from the program that you think are important:

1. _____

2. _____

