

Name: \_\_\_\_\_

Date: \_\_\_\_\_

1) Definition of tax.

\_\_\_\_\_

2) What is the purpose of taxes?

\_\_\_\_\_

\_\_\_\_\_

3) Name two types of taxes.

a. \_\_\_\_\_

b. \_\_\_\_\_

4) Name two types of taxes taken from your paycheck.

a. \_\_\_\_\_

b. \_\_\_\_\_

5) Name at least three services provided by tax revenue.

\_\_\_\_\_

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5) \_\_\_\_\_ is the date that income tax returns are due annually

6) Name at least three services provided by tax revenue.

\_\_\_\_\_

\_\_\_\_\_

Bonus Question:

7) Which tax system do we use in the United States?

Progressive

Regressive

Proportional

# **Tax Matters**

**A Segment of BestPrep's Financial Matters Series**

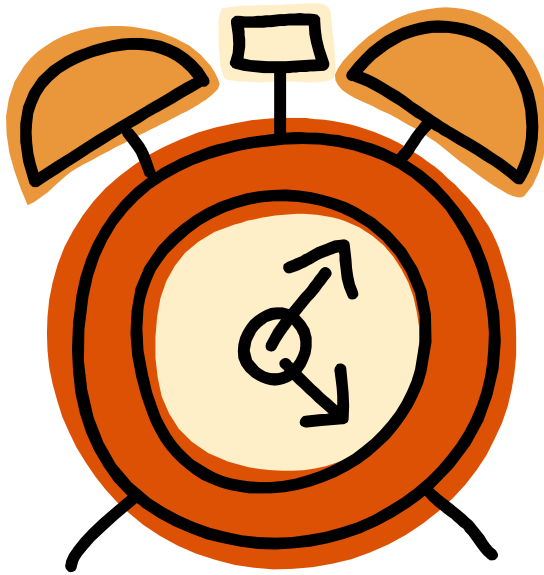




**Why do  
taxes matter?**



# Brainstorm



20	19	18	17	16
15	14	13	12	11
10	9	8	7	6
5	4	3	2	1

# Definition of Tax



*A fee charged by a government on a product, income or activity.*

# Tax Systems

	Regressive		Progressive		Proportional	
Income	Tax Rate	Tax	Tax Rate	Tax	Tax Rate	Tax
\$10,000	20%	\$2,000	10%	\$1,000	20%	\$2,000
\$50,000	4%	\$2,000	20%	\$10,000	20%	\$10,000
\$100,000	2%	\$2,000	30%	\$30,000	20%	\$20,000



# Types of Taxes

- What types of taxes exist?
- Some examples are:
  - Sales Tax
  - Property Tax
  - User fees (Car, Hunting Licenses, Sin Tax, etc.)
  - Payroll Tax
  - Income Tax



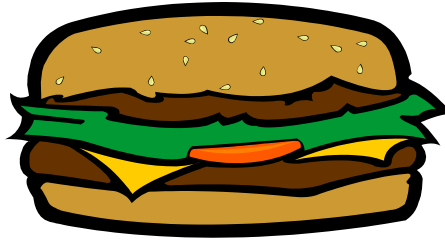
# Sales Tax



- Sales tax is a tax, usually paid by the consumer at the point of purchase, for certain goods and services.




Tax*	No Tax*
Entertainment	Clothing
Electronics	Groceries
Car Purchase and Repairs	Prescription Drugs
Lodging	

# Effects of Sales Tax



	Price	Tax*	Total
\$ Menu Hamburger	\$1	\$0.07	\$1.07
55" LCD TV	\$1,499	\$103	\$1,602
Car	\$10,000	\$688	\$10,688

# Which type of tax is it?

Hold up		Tax System
One finger		Regressive
Two fingers		Progressive
Three fingers		Proportional

# Property Tax






- **Property tax is a tax on the assessed value of property that the owner is required to pay.**

# Property Tax Statement

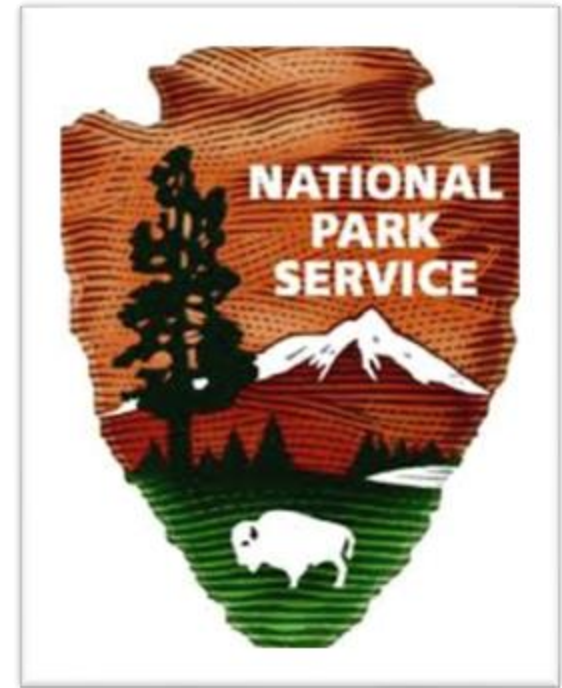
	Actual 2011 Property Tax	Proposed 2012 Property Tax	Percentage of Change
<b>Total</b>	<b>\$1,292.76</b>	<b>\$1,232.32</b>	<b>-4.7%</b>
<b>Hennepin County</b>	<b>\$476.22</b>	<b>\$459.86</b>	<b>Nov. 29, 2011 6:00 PM Commissioner Board Room</b>
<b>School District 999</b>			<b>Dec. 16, 2011 6:00 PM</b>
Voted Approved Levy:	<b>\$303.48</b>	<b>\$295.19</b>	<b>School Conference Center</b>
Other Local Levies:	<b>\$134.14</b>	<b>\$116.27</b>	<b>Anytown Community Center</b>
School District Total:	<b>\$437.62</b>	<b>\$411.46</b>	<b>5678 Main Highway</b>
<b>Metro Special Taxing District</b>			<b>Anytown, MN 55487</b>
<b>Metropolitan Council</b>	<b>\$28.59</b>		<b>763-555-1212</b>

# Which type of tax is it?

Hold up		Tax System
One finger		Regressive
Two fingers		Progressive
Three fingers		Proportional




# User Fees

- People pay user fees for the use of many public services and facilities.
- User fees can influence behavior. Why might that be?





# Which type of tax is it?

Hold up		Tax System
One finger		Progressive
Two fingers		Regressive
Three fingers		Proportional

# Group Brainstorm



20	19	18	17	16
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# Payroll Tax



- These are taxes withheld from (taken out of ) employees' pay by their employers.
  - Payroll taxes include Social Security and Medicare tax.
  - You do not get these taxes back at tax time.

# Paycheck

- **Social Security (FICA) tax rate is 6.2%**
- **Medicare tax is 1.45%**

**Employers are also required to pay the same amount as the employee.**



# Income Tax

- Income tax is also withheld by employers throughout the year.
  - Federal
  - State
- Unlike payroll tax, depending on the amount withheld and your tax liability, you may get some back at tax time!



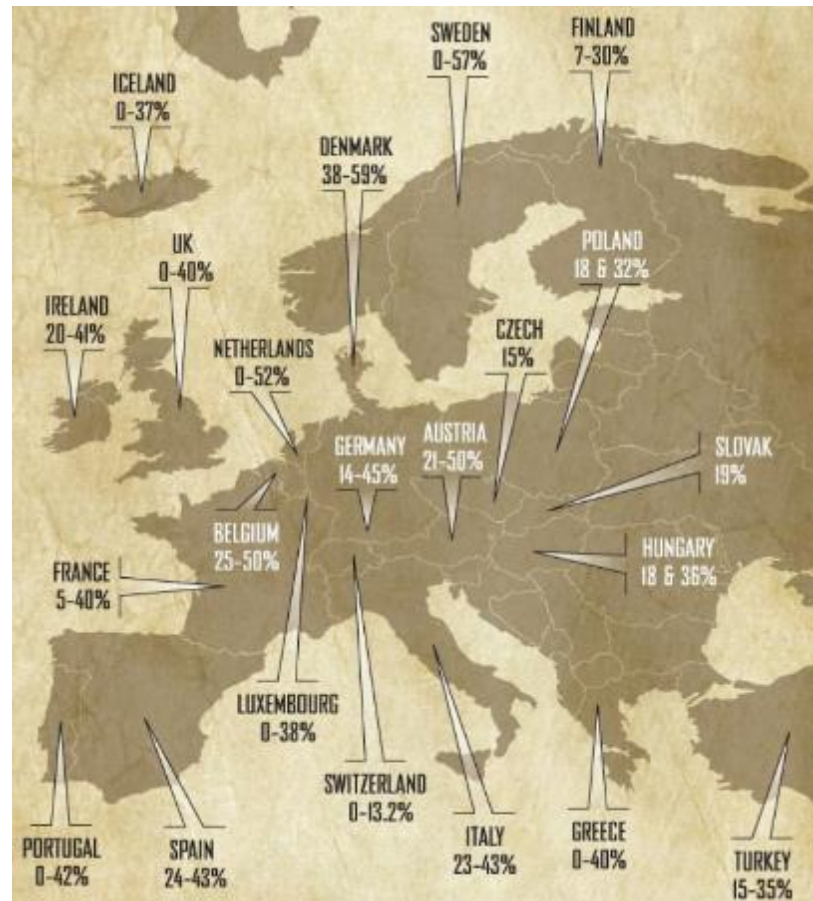
STUB SAMPLES INC.  
4891 INGLESIDE DRIVE  
HUNTINGTON BEACH CA 92649

## Earnings Statement

EMPLOYEE NO.	EMPLOYEE NAME			SOCIAL SECURITY NO	PERIOD BEG.	PERIOD END	CHECK DATE
045345	JOHN J. DOE			xxx-xx-9898	01/18/2011	02/01/2011	02/04/2011
EARNINGS	HOURS	RATE	CURRENT AMOUNT	WITHHOLDINGS/DEDUCTIONS	CURRENT AMOUNT	YEAR TO DATE	
REGULAR PAY	87.60		2307.69	STATE TAX AMT DEFERRED CMP FED TAX AMT HI TAX OASDI	87.69 0.00 281.54 33.46 96.92	350.77 0.00 1126.15 133.85 387.69	
CURRENT AMOUNT 2307.69	CURRENT DEDUCTIONS 499.62	NET PAY 1808.08	YTD EARNINGS 9230.77	YTD DEDUCTIONS 1998.46	YTD NET PAY 7232.31	CHECK NO. 48974	

# Income Tax

## Global Perspective- Europe



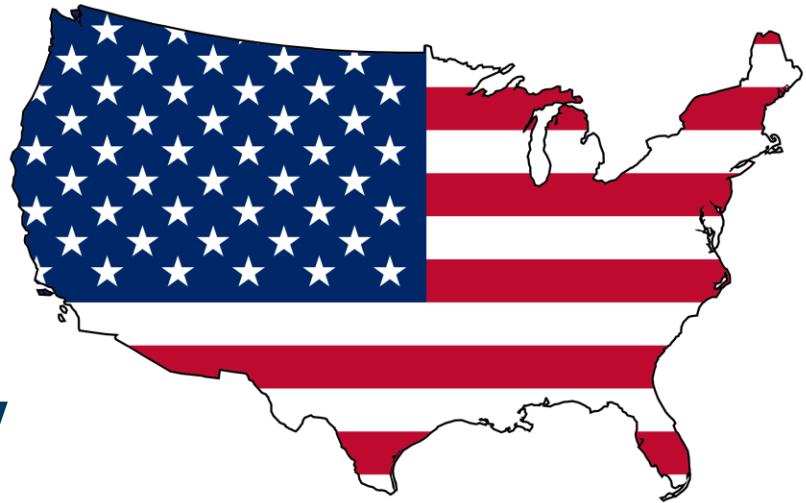
# Federal Income Tax

## The United States

- What is the range for income tax rates in the United states?

**10-39.6%**

- Wage earners really pay between 0-39.6%.

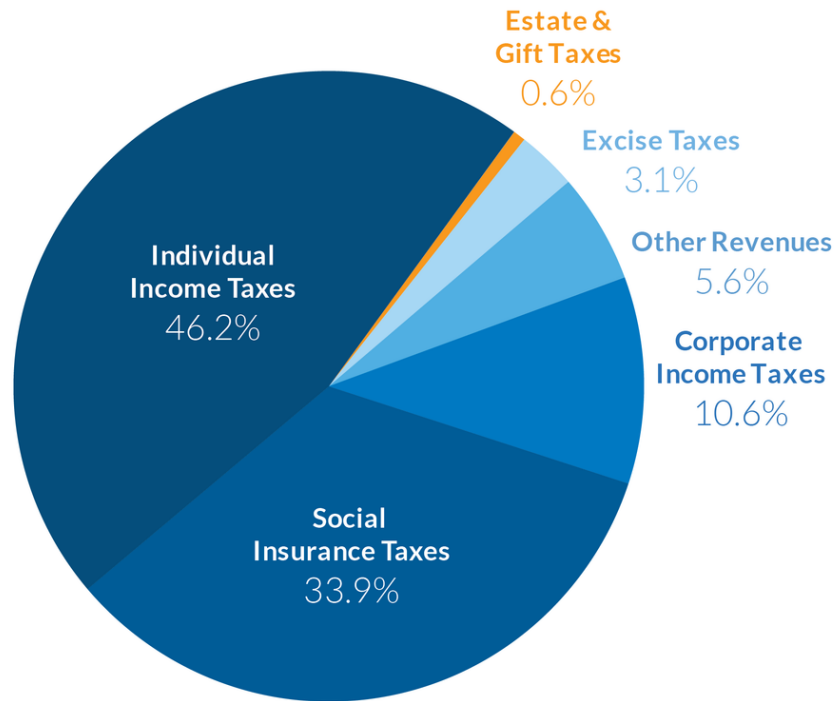




# Federal Revenues by Source

## The Estate Tax Provides Less than 1 Percent of Federal Revenue

*Federal Revenue by Source as a Percent of Total Revenue, 2014*



Source: OMB, Historic Tables, Table 2.1 and Table 2.5.

TAX FOUNDATION

@TaxFoundation

# State Income Tax

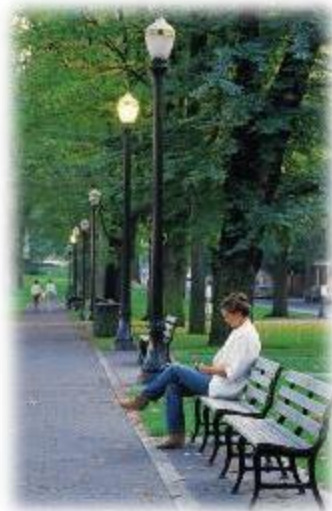


The tax rate  
range for MN is  
5.35-9.85%

# Income Tax State Comparison

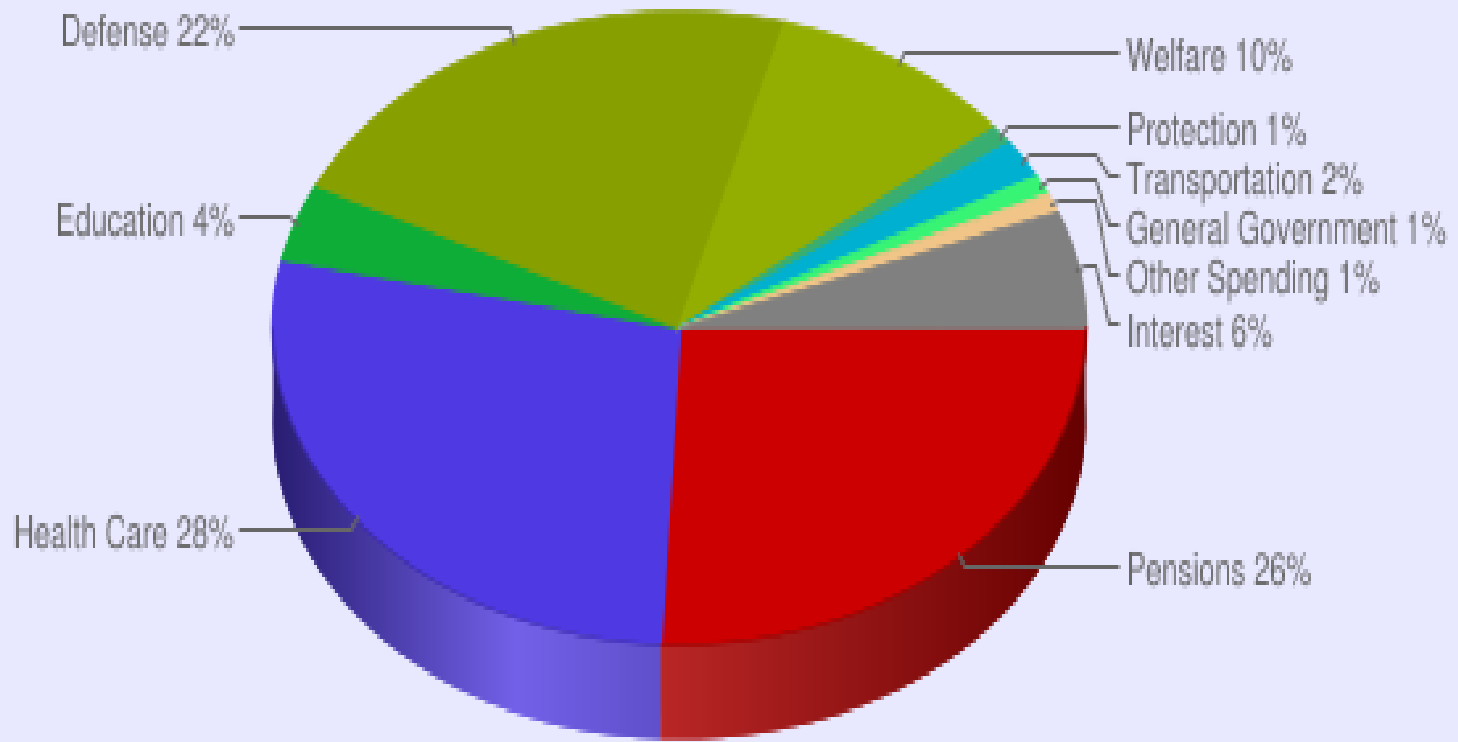


# What services do they provide?



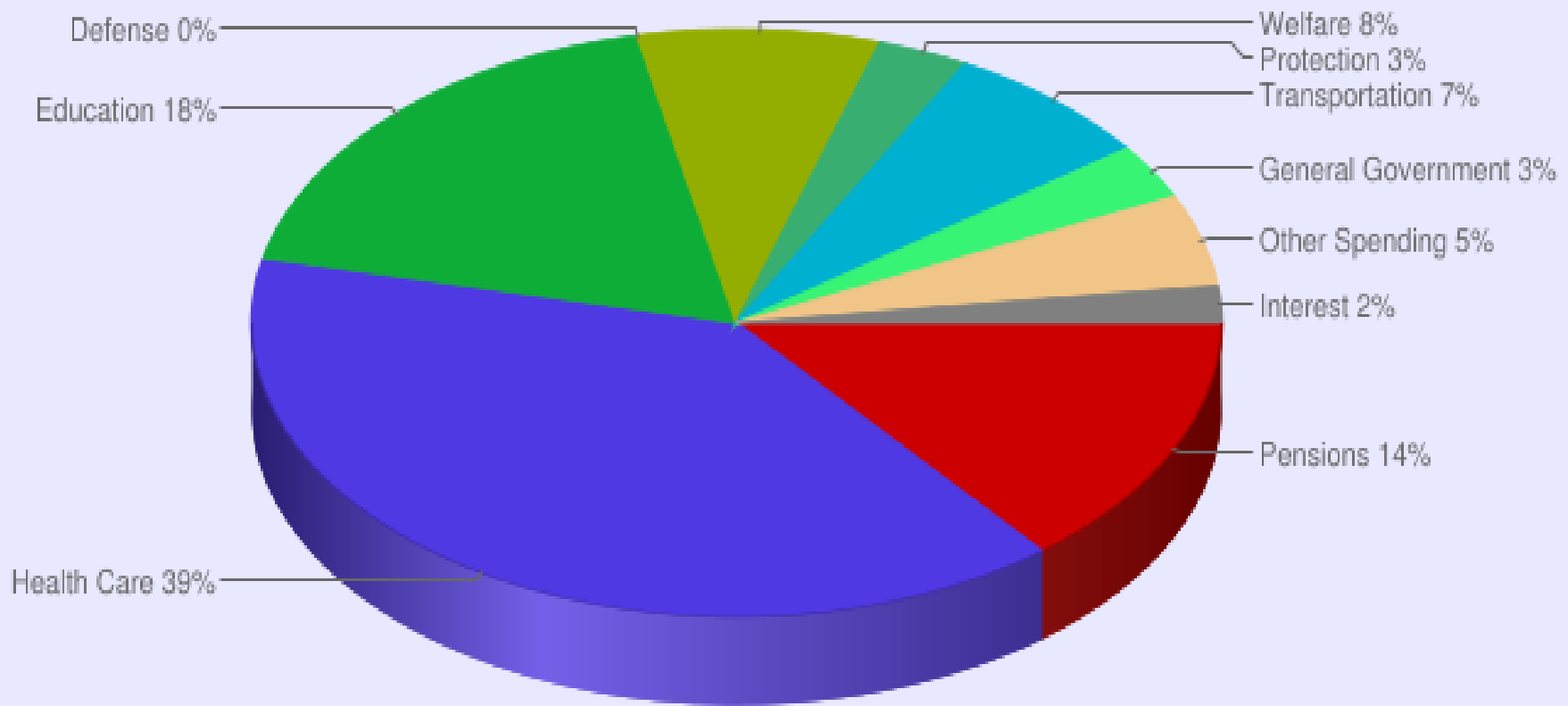
# Federal Spending- 2015

Federal Outlays for - FY 2015



# State Spending- 2015

State Spending for Minnesota - FY 2015



# Services

- Do you value the services provided to society by taxes?
  - Which ones?
  - Are there any you could live without?



# Who decides?





# Why do Taxes Matter?

- Taxes affect our paychecks
- Taxes affect what we pay for goods and services
- Taxes affect which services are provided by the Federal and State government
- Taxes are important to understand as voters decide the representatives who make these decisions





**@BestPrepMN**



**/BestPrep**

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## **Thank You!**

BestPrep gratefully acknowledges the financial and volunteer support provided by the Minnesota Society of Certified Public Accountants to offer the Financial Matters PowerPoint series of Tax Matters to the students and teachers of Minnesota.

