

Tax Matters

A Component of BestPrep's Financial Matters Program

Presenter Info: Name and Company



Brainstorm

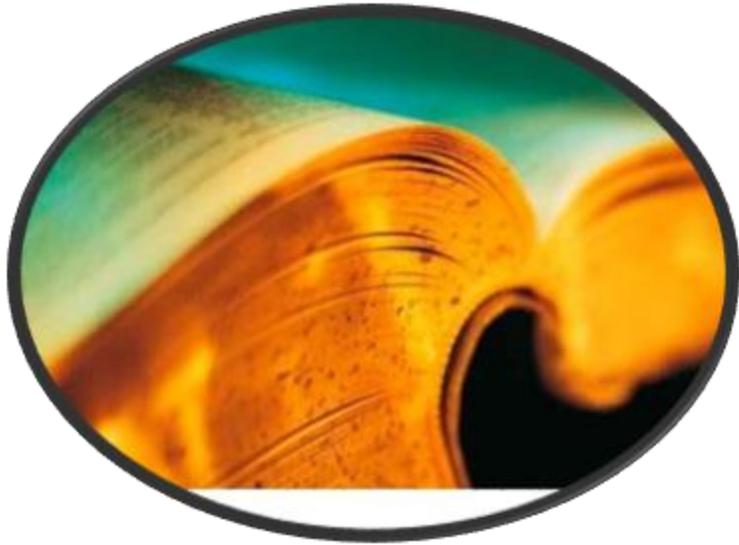
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TURN & TALK: Why Do Taxes Matter?

- What do you think of when you hear the word taxes?
- What are taxes for?
- Who pay taxes?
- Who collects taxes?

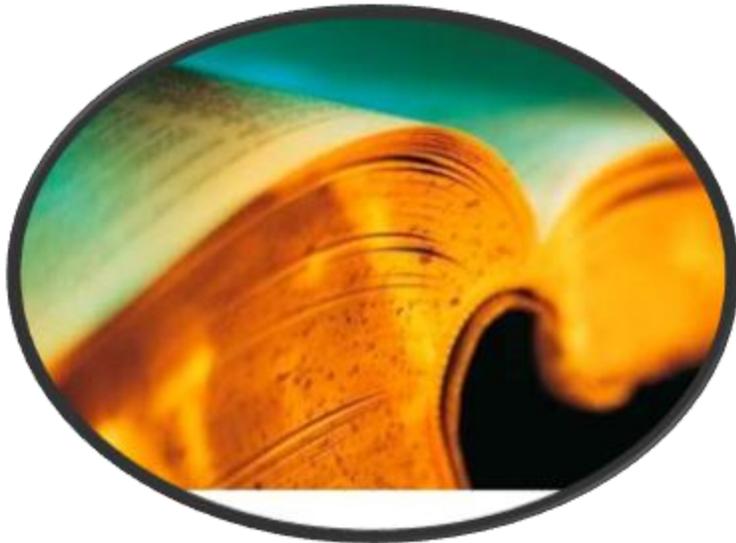


Definition of Tax



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

Definition of Tax Cont'd



Tax is a fee charged by a government on:

1. Income (income tax),
2. Products (sales tax),
3. Property (property tax),
4. Death (estate tax)

What are Taxes Used for?

Taxes pay for **Goods or Services** US citizens/residents want:

Roads

Military

Research

National Parks

Schools

Healthcare

Education

Social Security

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

Sales Tax

Property Tax

User fees (Car, Hunting Licenses, Sin Tax, etc.)

Payroll Tax

Income Tax

Estate Tax



Sales Tax

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

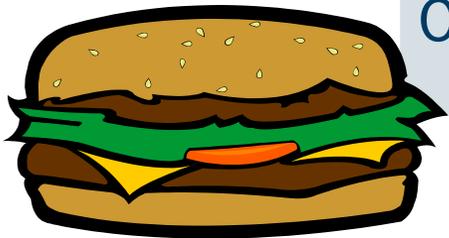
Taxed in MN	No Tax in MN
Entertainment	Clothing
Electronics	Groceries
Car Purchase and Repairs	Prescription Drugs
Lodging	



Effects of Sales Tax

*Assumes a 6.875% MN sales tax rate.

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



Sales Tax: 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.
- A large portion of property taxes are used to pay for schools, City and County operations, e.g, snowplowing



Property Tax Statement

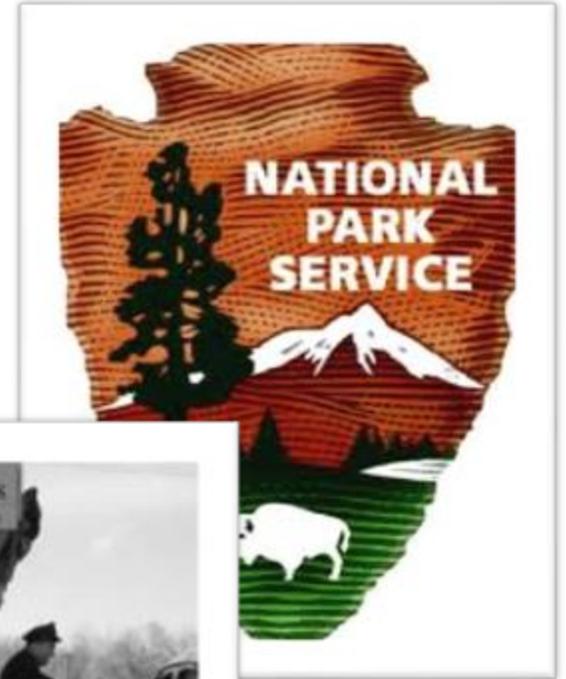
Property Tax	Actual 2025	Proposed 2025	Percentage of Change
Total	\$3,184	\$3,519	9%
Hennepin County School District	\$476.22	\$459.86	
Voted Levy:	\$303.48	\$295.19	
Other Levies:	\$134.14	\$116.27	
District Total:	\$437.62	\$411.46	
Metro Special Taxing District			
Metropolitan Council	\$28.59		

Property Tax: 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.
- "Sin" taxes – alcohol and cigarettes
 - Health Impact Tax



3:00

TURN & TALK

- 1) Get into groups of 2-3.
- 2) Discuss the following:
 - How might taxes influence our behaviors?
 - Is this effective? Why or why not?
- 3) We will share out as a group.



User Fees: Which Type of Tax Is It?

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

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.
 - » Also known as OASDI – Old Age, Survivors and Disability Insurance [matches paystub in slide 21]
 - » Paid $\frac{1}{2}$ by you and $\frac{1}{2}$ by your employer

Payroll Tax: Which Type of Tax Is It?

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

Your Paycheck

- Social Security (FICA) tax rate is 6.2%
 - Medicare tax is 1.45%
 - Total 7.65%
-
- Employers are also required to pay the same amount as the employee
 - Self-employed persons pay the full amount of Social Security and Medicare – 15.3%

Income Tax

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



Income Tax: Which Type of Tax Is It?

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

Earnings Statement

STUB SAMPLES INC. 4891 INGLESIDE DRIVE HUNTINGTON BEACH CA 92649				Earnings Statement		
EMPLOYEE NO. 045345	EMPLOYEE NAME JOHN J. DOE		SOCIAL SECURITY NO xxx-xx-9898	PERIOD BEG. 01/18/2011	PERIOD END 02/01/2011	CHECK DATE 02/04/2011
EARNINGS	HOURS	RATE	CURRENT AMOUNT	WITHOLDINGS/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

What is Taxable income?

- Salaries and wages
- Commissions
- Fees received
- Tips
- Interest
- Dividends
- Capital Gains



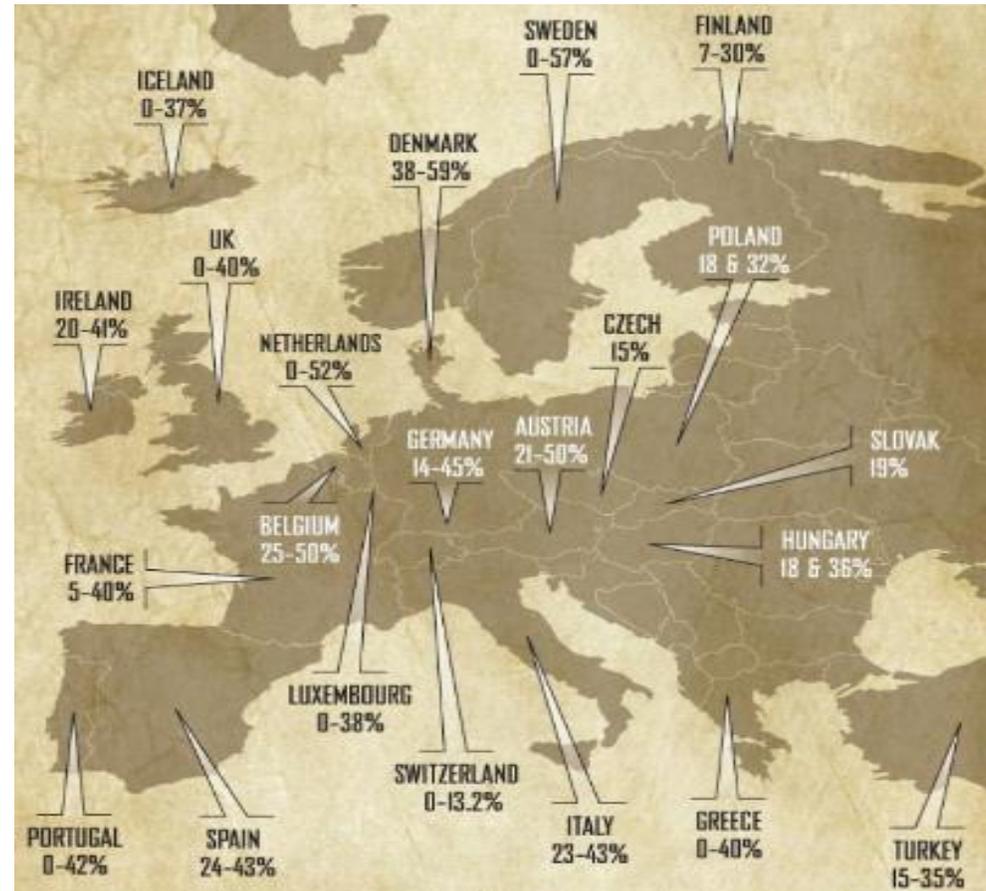
What is Not Taxable income?

- Alimony
- Child Support
- Welfare Payments
- Cash Rebates
- Gifts



Income Tax

Global Perspective - Europe



Federal Income Tax

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

Federal Income Tax: The United States

- Range for income tax rates in the United states:

10-39.6%

- You may pay \$0 depending on on your deductions



- The Standard Deduction is \$15,750 in 2025.
 - You pay NO income tax if your income is $< \$15,750$.
 - You DO have to file a return.

Federal Income Tax Example

- You earn \$15 per hour
- You work 40 hours per week
- There are 48 weeks in a year

$$15 \times 40 \times 24 = \$28,800$$

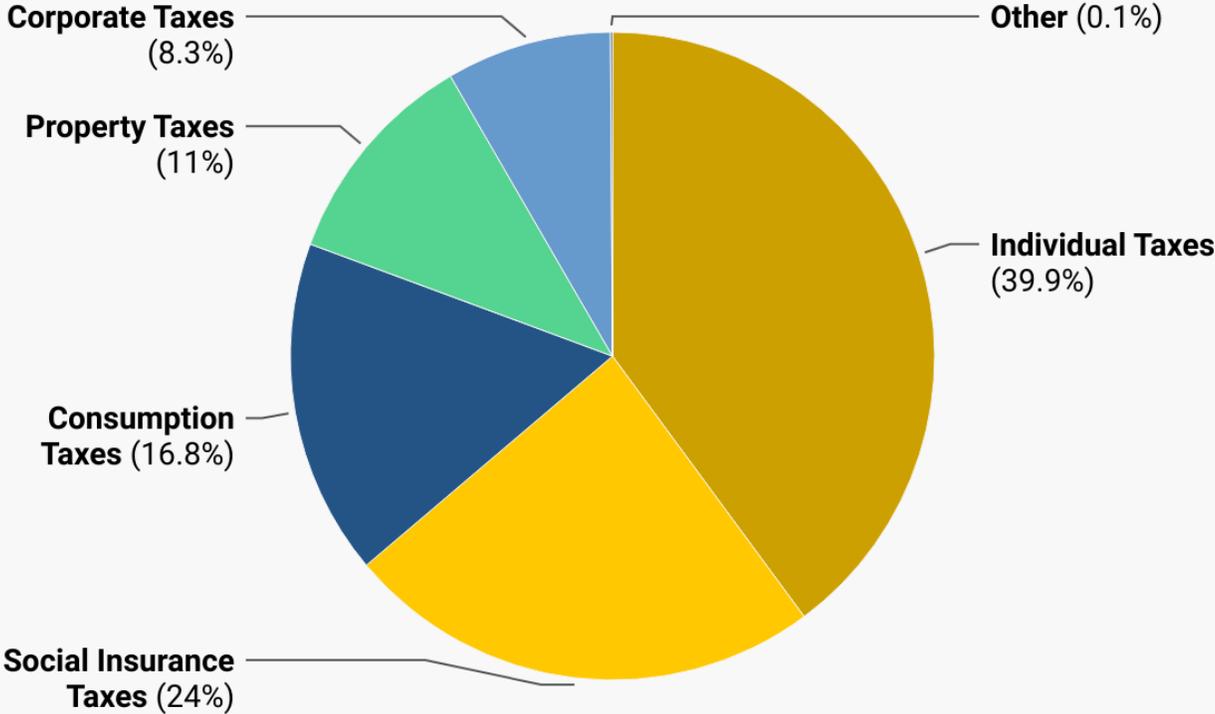
- Standard deduction is \$15,750
- Taxable income is \$13,050
- At that level, your tax rate is 10%
- You owe \$1,305 or \$25 per week in Federal income taxes



Federal Revenues by Source

Individual Taxes Are the Most Important Tax Revenue Source for the United States

Sources of Tax Revenue in the United States, 2023



Source: OECD, "Comparative tables of Revenue Statistics in OECD member countries."



State Income Tax



The tax rate range for MN is 5.35-9.85%

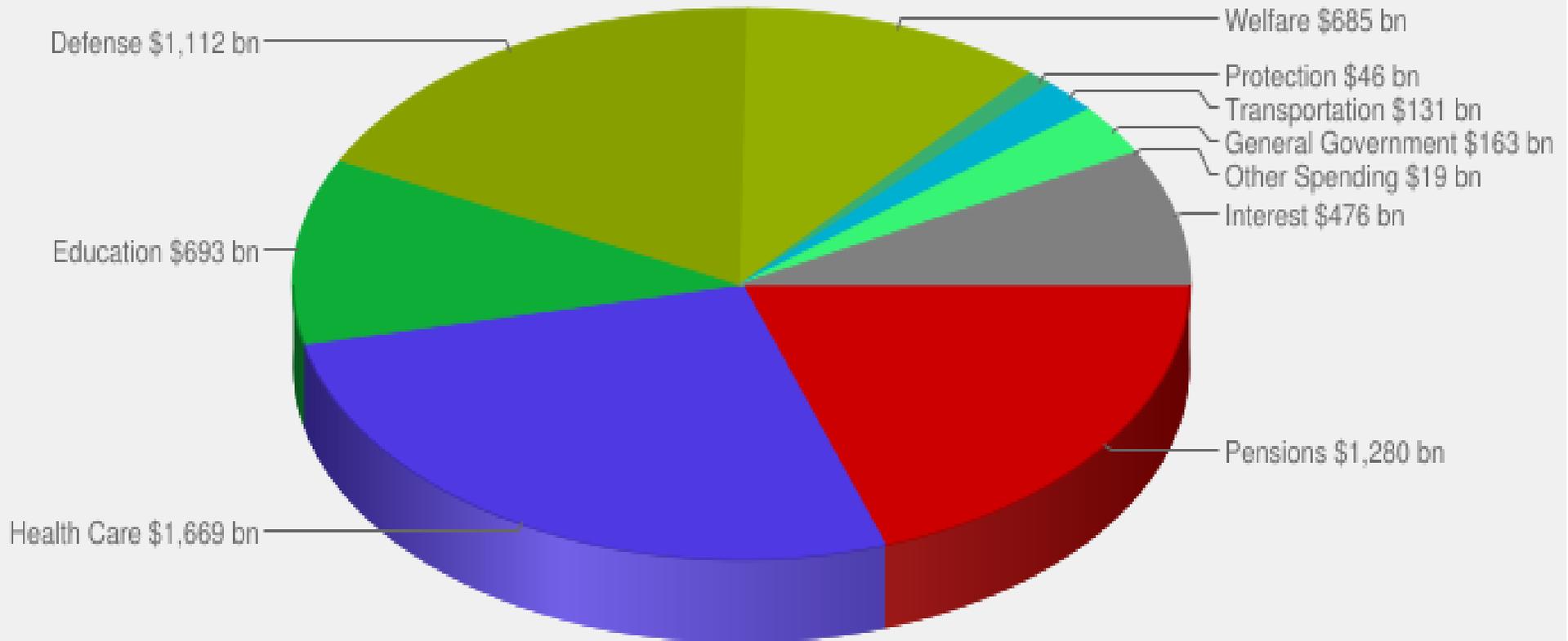
Income Tax State Comparison

Which of these places has the highest income tax?



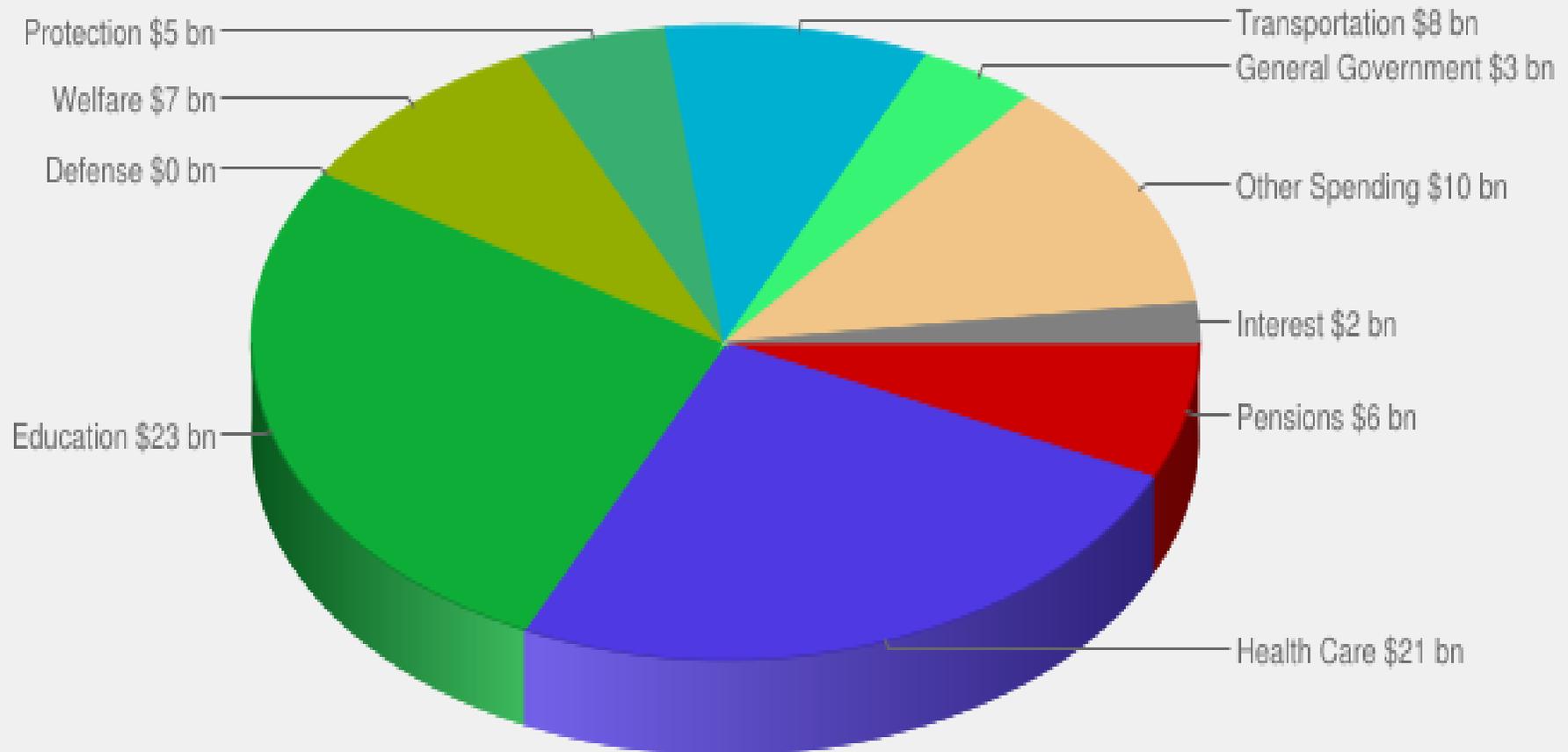
Federal Spending

Federal Spending for United States - FY 2022



State Spending

Total Spending for Minnesota - FY 2022



Services



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

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

Who Decides?



YOU!

Student Survey



Thank You!

BestPrep gratefully acknowledges the financial and volunteer support provided by the Minnesota Society of CPAs along with Cheryl Newell from Money \$marts LLC to offer Tax Matters as a part of Financial Matters.

