

Why Do We Pay Taxes?

Standard 2: Taxes

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Grade Level	7th – 12th Grade	**Time Frame**	200 minutes
Subject	Financial Literacy, Social Studies	**Duration**	3-4 class periods
Course	Personal Financial Literacy		

Essential Question

Why do we pay taxes? How are our tax dollars spent?

Summary

Students will identify public services provided through taxes. They will read and present information about local, state, and federal revenue sources that become our tax-based funding for services and programs.

Snapshot

Engage

Students look at a variety of photos and decide what they have in common.

Explore

Students identify what level of tax funding certain public and community services receive.

Explain

Students read about local, state, and federal tax dollars through a Jigsaw activity.

Extend

Students have the option of researching a community service that relies on tax dollars or creating their own tax dictionary.

Evaluate

A variety of products can be used as assessments, including the Why-Lighting activity, group facts chart presentation, research on community services, or the tax dictionary.

Standards

ACT College and Career Readiness Standards - Reading (6-12)

CLR401: Locate important details in somewhat challenging passages
CLR403: Draw simple logical conclusions in more challenging passages
IDT403: Summarize key supporting ideas and details in somewhat challenging passages

Oklahoma Academic Standards (Personal Financial Literacy (7th through 12th grade))

PFL.2.1: Identify and explain types of taxes (e.g., personal income, sales, and property taxes) and explain the reasons for taxation at the local, state, and federal levels (e.g., roads, water and sanitation services, social services, schools, and law enforcement).
PFL.2.2: Explain how taxes, employee benefits, and payroll deductions affect income.

Attachments

- Artifacts for Taxes - Spanish.docx
- Artifacts for Taxes - Spanish.pdf
- Artifacts for Taxes.docx
- Artifacts for Taxes.pdf
- Lesson Slides—Why Do We Pay Taxes.pptx
- The Community Services List - Spanish.docx
- The Community Services List - Spanish.pdf
- The Community Services List - Teacher Answer Sheet.docx
- The Community Services List.docx
- The Community Services List.pdf
- Where Do Our Federal Tax Dollars Go - Spanish.docx
- Where Do Our Federal Tax Dollars Go - Spanish.pdf
- Where Do Our Federal Tax Dollars Go.docx
- Where Do Our Federal Tax Dollars Go.pdf
- Where Do Our Local Taxes Go - Spanish.docx
- Where Do Our Local Taxes Go - Spanish.pdf
- Where Do Our Local Taxes Go.docx
- Where Do Our Local Taxes Go.pdf
- Where Do Our State Taxes Go - Spanish.docx
- Where Do Our State Taxes Go - Spanish.pdf
- Where Do Our State Taxes Go.docx
- Where Do Our State Taxes Go.pdf

Materials

- Lesson Slides (attached)
- Artifacts for Taxes (attached; one set per group)
- Where Do Our Local Taxes Go? (attached; one copy per group)
- Where Do Our State Taxes Go? (attached; one copy per group)
- Where Do Our Federal Taxes Go? (attached; one copy per group)
- Community Services List handout (attached; one copy per student)
- Community Services List teacher answer sheet (attached)
- Student access to internet for research (optional)
- Chart tablet paper and markers

Engage

Begin the lesson by displaying **slide 3** of the attached **Lesson Slides**. Divide students into groups of three. Ask groups to look at the pictures and brainstorm what these jobs might have in common. Allow no more than 10 minutes for students to discuss the pictures. Ask for answers from the groups after their brainstorming. You will probably have to ask more questions or probe further so that students can begin to narrow or refine their answers. Some possible probing questions could be:

1. What are these jobs designed to do? *They provide services that help the community or improve life in some way.*
2. Where are these jobs typically found? In cities, towns, or rural areas. In some rural areas, however, people do not always have trash pick up or quick access to ambulance services.
3. Why are these jobs important? *They perform necessary services for citizens in a society.*
4. Who pays the salaries for these jobs? The taxpayers/the community

The answer to the question of what these jobs have in common is that the salaries and services of these jobs are paid through taxes. You may explain this to students as this point. Show **slide 4**, which has the essential questions: *Why do we pay taxes? How are our tax dollars spent?* Ask student groups to discuss and answer this first question, Why do we pay taxes?, now that they have some knowledge about it. Call on some groups for their responses.

Explore

Transition from the group responses by discussing and expanding upon this topic. Explain that these jobs, and many more like them, are paid by taxpayers for the good or welfare of the community. Some communities may be so small or rural that they may not have enough of a "tax base" to support everything a community might need. Each taxpayer pays taxes for local programs and services, state programs and services, and for the federal government to administer programs and services. Display **slide 5**, which explains the different levels of government funding from tax dollars. Make it clear to students that, every year, local city councils, the state legislature, and the federal government must decide on a budget that gives services money for operations. Sometimes, these are challenging decisions.

Pass out the attached **Community Services List** to every group member. Ask each student to mark whether these services receive local, state, or federal tax dollars to support them. They can discuss with their group of three if they are uncertain. At this point, this is a guess based upon what they believe. Allow only 5 to 10 minutes for this activity. Tell students that they will revisit this sheet later, so have them set it aside without discussion until later in the lesson.

Explain

Display **slide 6**. In groups of three, give each student one of the three **"Where Do Our State/Local/Federal Taxes Go?"** readings so that each group member has a different reading. Using the Why-Lighting reading strategy to annotate their reading, have each student, as they read, circle key facts and, in the margin, write down why those facts are important. For more information on this strategy, click the link to find Why-Lighting in the Strategies section of LEARN. This should be a 20 to 30-minute Why-Lighting activity.

After students have read and annotated, allow approximately 10 minutes for group members to share the important facts they circled from the reading with each other.

After they have shared their important facts with their own group's members, rearrange students so they are in small groups of students who read the same handout. Because of class size, you will probably have more than one group of students who read the same handout. Display **slide 7** and ask the new groups to come up with the five most important facts from their readings that they will share with the class. Because each student will have highlighted different facts, they will have to choose which five are the most important as a group. Give each group chart tablet paper and markers. Ask students to write their five facts on the chart tablet. This activity is a variation of the group strategy called Jigsaw (click the link to learn more).

Ask students to get out notebook paper and create three columns titled LOCAL, STATE, and FEDERAL. Have all LOCAL groups present their chart of facts, then STATE groups, and finally FEDERAL groups. As charts are presented by each group, have all students take notes on their own notebook papers.

Have students return to their original groups. Ask groups now to revisit their community list where they marked local, state, or federal funding for different services. Have everyone go back to correct and revise their lists, now that they have read and discussed where local, state, and tax dollars go. This list can be turned in for a grade. A teacher answer sheet is included in this lesson. *Note: Some services receive partial funding from both local, state, and/or federal government; but this activity gives students some idea of how services are funded.*

Display **slide 8**. Pass out the artifacts folder to each group. Inside the folder, students should find a copy of a Walmart receipt, a payroll receipt, and a copy of a blank federal tax form 1040. Allow time for students to look these over and discover where the taxes are either listed or created on each artifact. You can assign the following questions as presented on slide 8 or simply have a class discussion using this slide.

Teacher Notes: Artifacts Folder

The first artifact is a **sales receipt** from Walmart. Two taxes are collected on this receipt. Typically sales taxes fund local and state programs. The second tax may have been an extra tax, voted upon by the city, to pay for a special local project. The second artifact is a sample **pay stub**. The taxes are all located in the EARNINGS section. This paystub shows federal taxes, state taxes, Social Security taxes, Medicare tax, and an Oregon workers benefit tax. You may wish to ask students to total up the amount of taxes taken out of the pay each month and explain the difference between gross earnings, which are prior to payroll deductions, and taxes and net earnings, or the amount an employee has earned after all deductions and taxes. The third artifact is a **Federal Income Tax blank form 1040**. Ask students to generally state how taxes are determined for each individual or couple based upon what they view on this tax form. Generally, the amount of earnings determine taxes (less deductions). Legal deductions might include medical expenses that were not covered by insurance or childcare deductions.

Extend

Several activities are optional and can extend or reinforce the concept of how tax dollars are spent.

Option 1 (slide 9): Have students individually (or in pairs) research local or regional community services that rely on total or partial funding from tax dollars. The ideas for the service can come from the "Community Services List" that students completed earlier. Services useful to investigate: the animal shelter, fire department, police or sheriff's department, Department of Human Services, the water department, the gas department, the sanitation department, parks and recreation department, homeless shelter, the library, a public school, etc. The number of services and programs will depend on your location. Rural areas may co-op these services with other towns or as a region or county. Prior to beginning their research, the class should brainstorm questions they wish to have answered. Students should be able to brainstorm at least 8 to 10 questions. Some typical questions might be:

1. What are the responsibilities of this service or department?
2. How many employees do they have?
3. How many citizens do they serve?
4. How does this program or service benefit the community?
5. What happens on a daily basis?
6. How do citizens access this service?
7. What are their greatest challenges?
8. What are their greatest successes?
9. How is this program or service funded?
10. Is funding adequate to meet the needs of the community they serve?
11. What are its hours of operation? Where is it located?

If these programs or services have a website, students should start by examining the website to answer their generated questions. They can also conduct a Google search for information. If the program does not have a website or search information is limited, they might be able to call and interview an employee or staff member by phone. Choose the product for students to demonstrate their completion of the assignment. They could simply answer the questions, write a research paper, or they could create a PowerPoint or Google slide presentation, a poster, a brochure, etc. Slide 9 has some general directions for the community research activity.

Option 2 (slide 10): Students individually can create a "tax dictionary" from the information they learned in the lesson. Students read and took notes about the information from the handouts in the Explain section. Using either these notes, and/or the handouts themselves, students can create a tax dictionary to deepen their understanding. Slide 10 has a list of terms taken from all three readings.

Evaluate

The following assignments and activities can be used as formative or summative assessments for the lesson:

1. The Why-Lighting reading activity: Collect the original readings and their Why-Lighting marks after the group presentations
2. The revised or corrected "Community Services List": See the attached teacher answer sheet
3. The group chart presentation of the five most important facts
4. The community service research individual or pairs (option one of the Extend activities) OR the tax dictionary (option two of the Extend activities)

Teacher's Note: Looking for Hands-on Financial Literacy?

Mind Your Own Budget (MYOB) is a comprehensive game-based learning application for financial literacy. Mind Your Own Budget is aligned with the OK Passport and National Standards for Financial Literacy. Through game-playing, students encounter everyday financial tasks such as making and keeping a budget, paying recurring and emergency expenses, managing financial accounts and using financial instruments. Each scenario presents a new challenge and teaches new concepts while building on important budgeting basics. To find out more about K20 Digital Game-Based Learning, go to https://k20center.ou.edu/games/ or email k20center@ou.edu.

Resources

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