

Name _____

Date _____

Taxes

Use the text to answer each question below.

1. Taxes are how governments gain revenue, or money. Revenue is needed for the government to provide public goods and services. Examples of public goods are paved roads, bridges, tunnels, street lights and playgrounds. Public services include public education, fire and police departments and sanitation programs. Taxes also pay for the salaries of government employees. Every government employee, from the president of the US to your local firefighters and garbage collectors, gets their salary from taxes.

Which of the following is an example of a public service?

- A. a bridge that connects two towns
- B. a crowded highway
- C. a city's sanitation program
- D. a neighborhood restaurant

2. People usually get taxed at three levels: federal, state and local. Federal taxes are collected by the IRS, the Internal Revenue Service. Federal taxes are generally in the form of income taxes. That's when a percentage is taken out of paychecks or other income. Income taxes are used to pay for federal goods and services, like interstate highways, the military and national parks. The federal programs Social Security and Medicare are also funded through income taxes. Income tax is why net pay, or the money a person actually receives, is less than gross pay, or the total amount of money they earn.

Which of these is most likely to be funded through federal income taxes?

- A. a national monument
- B. a local playground
- C. private school tuition
- D. sidewalk repairs

3. There are so many different income tax laws that sometimes people end up having too much or too little money taken out of their paychecks. Every year on or around April 15, working people must file their tax forms. These forms show how much money they earned over the past year and how much they have paid in taxes. Based on the information on their forms, they may have to make a payment. This money is collected by the IRS. If they have paid more than their share, they may receive a tax refund. It's important for people to include money for taxes in their budgets, in case they have to pay the IRS.

Which of the following is **not** true?

- A. Tax forms are due on or near April 15 each year.
- B. The Senate collects income tax payments.
- C. Some people qualify for a tax refund, and some people don't.
- D. People always pay the right amount of taxes throughout the year.

4. State and local governments collect revenue through sales and property taxes. In many states and cities, a sales tax, sometimes called a transaction tax, is added to purchases like clothing, restaurant meals and toys. For example, the sales tax in New York City is 8.875 percent, so an item's actual cost is 1.08875 times the price on the sticker.

Property taxes are a tax that the government places on the value of things you own. These taxes are often placed on houses, apartments, land and other real estate. They are percentage-based, so the amount of tax depends on the value of the property. Like sales taxes, property taxes are not equal everywhere. Different states, cities and towns have different tax rules.

Which of the following best describes property taxes?

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| A. They are the same no matter where you live. | B. They only apply to houses that are larger than 2,500 square feet. |
| C. They increase as the value of the property increases. | D. They are always at a rate of 8.87 percent. |