

Oklahoma's Personal Financial Literacy Passport

Standard 2: The student will identify and describe the impact of local, state, and federal taxes upon income and standard of living.

Standard 2. Taxes


Lesson 2.1 Taxes: Somebody Has to Pay

Lesson 2.2 Voluntary Compliance

Activity 2.2.1 Civic Duties and Taxes



Teacher Presentation Series 2

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- 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/sanitation services, social services, schools, and law enforcement).
 - 2 Explain the importance of meeting tax obligations and describe possible consequences of failing to meet those obligations (e.g., fees, penalties, interest, garnishment of wages, and imprisonment).



Standard 2.2

Taxes: Somebody has to Pay

Payoff



- 👉 Differentiate between “ability to pay” and “benefits received” tax theories.
- 👉 Explain the differences between progressive and regressive taxes.
- 👉 Identify the role of public goods and services.
- 👉 Evaluate the costs and benefits of public goods and services.

Down Payment



- 👤 Mario received \$20 for his birthday. He wants to buy a new video game at Aim Videos.
- 👤 Mario heads to the game aisle. Sure enough, it is there, and the price is \$19.95.
- 👤 He heads to the cashier, who rings it up and says, “That will be \$21.60.”



Down Payment



- 💰 The cashier explains he has to pay the sales tax to get the game.
- 💰 “I am just a little kid. Why does the government want my money for taxes?”
- 💰 If Mario was your little brother, what would you tell him?

== Cache ==



- 💰 Ability to Pay
- 💰 Benefits-Received Principle
- 💰 Free Rider
- 💰 Progressive Tax
- 💰 Regressive Tax
- 💰 Taxes



≡ **Building Interest** ≡



- 💰 Where does the money come from to pay for fire and police protection in your town?
- 💰 Is the method used for paying for these services “fair?”
- 💰 Why or why not?



Ability to Pay vs. Benefits Received



Ability to Pay

- People who can afford to pay taxes should pay more than those with limited ability to pay.
- Taxing one group more than the other may decrease the incentive to earn more money.

Ability to Pay vs. Benefits Received



Benefits Received:

- Theory: Government should only tax people who receive the goods and services
- Example: People who drive on toll roads pay fees, but if you do not use them, you do not pay.
- Problem: People who often benefit more from government programs have limited incomes.

Ability to Pay vs. Benefits Received



- 🍷 What have you learned about these two theories?
- 🍷 What are the costs and benefits of each theory?

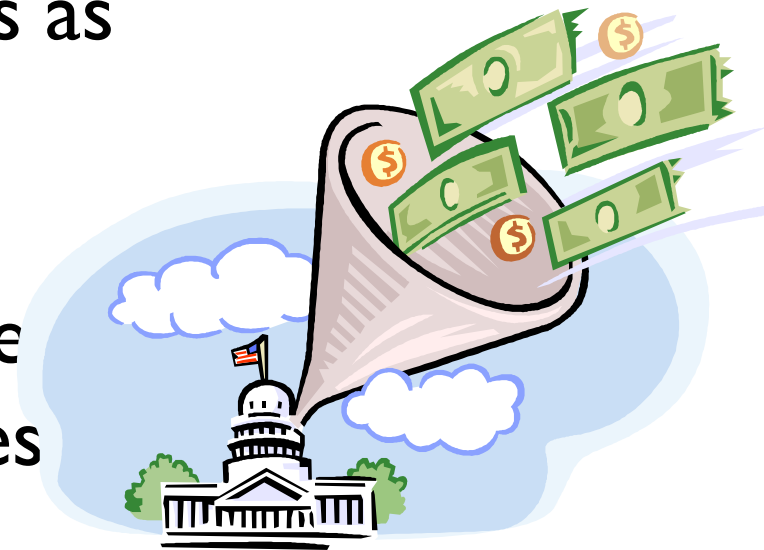


Progressive and Regressive Taxes



🍷 Progressive tax –
proportion of income
paid in taxes increases as
income increases

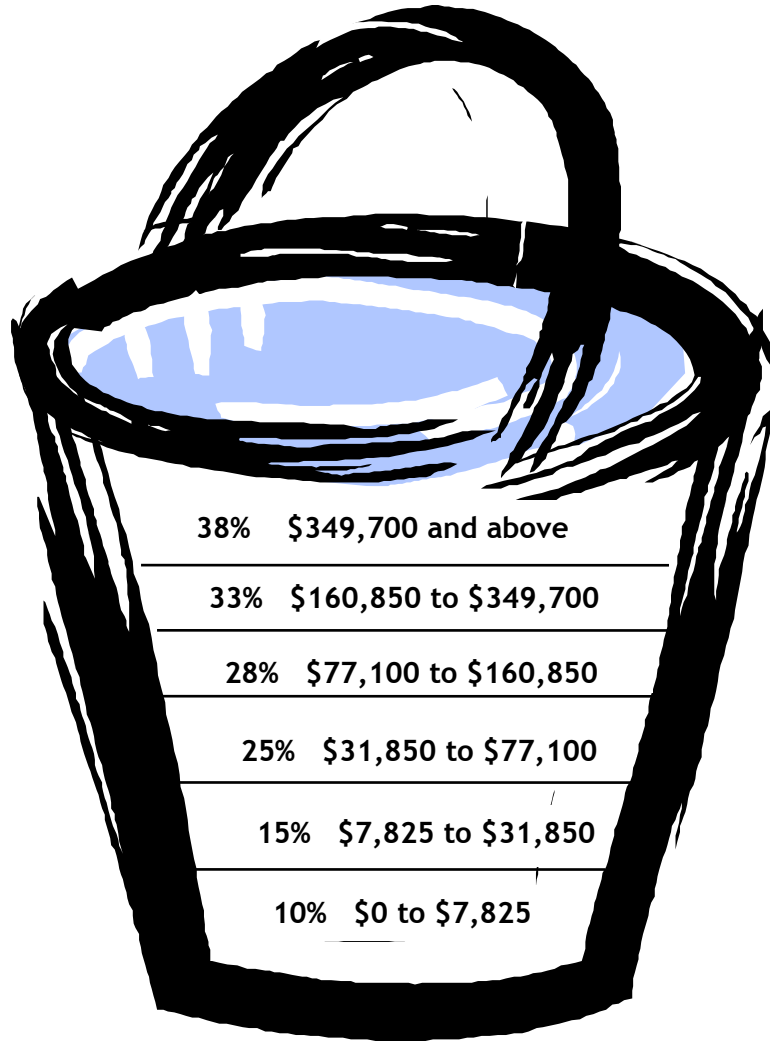
🍷 Regressive tax –
proportion of income
paid in taxes decreases
as income decreases



Progressive Tax Bucket



Bill's
Salary:
\$35,000



What will
he pay?

== *Earnings* ==



💰 Everyone benefits from the public goods and services provided by our tax dollars.

💰 How much we pay in taxes is frequently debated.

💰 Answer to public debate: continue paying taxes as long as benefits to society are greater than the cost.

== Balance Sheet ==



- 📌 Identify examples of progressive and regressive taxes.
- 📌 What is a “free rider?”
- 📌 Identify examples of goods and services paid for by taxes.

== ***Paid in Full*** ==



- 🍷 Tell Mario paying sales tax is an important source of income for local government.
- 🍷 Sales taxes provide parks, bike paths, roads, police, and fire safety.
- 🍷 Everyone who buys goods and services pays sales taxes, regardless of age or income.





Standard 2.2

Taxes: Voluntary Compliance

≡ *Payoff* ≡



- 🍷 Recognize the moral and ethical reasons for paying taxes.
- 🍷 Explain the legal and financial consequences of failing to pay taxes.



Down Payment



- 💰 Ashlee and Brittany need to earn money for cheerleading camp. They start mowing lawns.
- 💰 They pay expenses first, then divide the rest of the money earned 50/50.
- 💰 Ashlee keeps a record of every lawn they mow, expenses paid, and personal income.



Down Payment



💰 Brittany writes down:

- The checks they receive.
- The expenses they pay.
- Subtracts expenses from amount received in checks.
- Does not keep a record of any cash received because there is no record of the money.

💰 Which one of the girls is correct?



== Cache ==



- 👉 Ethics
- 👉 Morals
- 👉 Standard of Living
- 👉 Quality of Life
- 👉 Voluntary Compliance



Tax Facts



🍷 Our tax system operates on a principal called “voluntary compliance.”

🍷 If you do not file a tax return you can:

- face criminal prosecution
- be heavily fined
- be imprisoned



🍷 The Internal Revenue Service (IRS), a division of the U. S. Treasury, is responsible for the federal tax system.

Reporting Your Taxes



- 👤 According to law, everyone who receives a paycheck is required to submit a tax return to the IRS by April 15.
- 👤 You can use a variety of deductions and exemptions to reduce your tax bill.
- 👤 However, the law is very specific about what is legal.

Ethics and Moral Issues



- 💰 What are some reasons for being ethical in paying your taxes?
- 💰 What are some moral reasons for paying taxes?
- 💰 How do the reasons discussed affect your personal opinion about paying taxes?

== Earnings ==



- 🍷 Paying taxes is a moral and ethical responsibility of all U. S. citizens.
- 🍷 Paying taxes helps us avoid being financially penalized or imprisoned by the IRS.



== Balance Sheet ==



- 👤 What are some of the reasons people pay taxes?
- 👤 If you knowingly underpay your taxes, what are some actions the IRS might enforce?
- 👤 What is voluntary compliance?
- 👤 What date are taxes due?
- 👤 What is the primary purpose for collecting taxes?

== ***Paid in Full*** ==



- 💧 If you said Ashlee, then you are correct. Ashlee's recordkeeping would allow her to report all of her income.
- 💧 Brittany's behavior is also unethical and illegal. She runs the risk of being caught and penalized for her choices.



Activity 2.2.1 Civic Duties and Taxes



“Taxes are what we pay for a civilized society.” Justice Oliver Wendell Holmes

“Collecting more taxes than absolutely necessary is legalized robbery.” President Calvin Coolidge

“People want just (or fair) taxes more than they want lower taxes. They want to know that every man is paying his proportionate share according to his wealth.” Will Rogers

“Ask not what your country can do for you, but what you can do for your country.” President John F. Kennedy