



Financial Literacy Lesson:

Taxes

Grade Levels:

9 - 12th

Topic:

Introduction to Employment Taxes

Lesson Purpose:

To introduce students to the employment taxes and how they affect salaries.

Objective:

Students will understand the major types of taxes that are applied to a salary and how that changes based on factors like salary brackets and living location.



Teacher Lesson Outline:

Intro / Hook:

1. **5 min** Play Planned to A.T. Video on Taxes.
2. **15 min** Intro Display and discuss where taxes go using the attached pie chart and have students fill in their numbers to match as you discuss, as well as examples
3. **30 min** Provide students with their activity sheet and allow them to go through it.

START: Essential Question(s)

Q : Why do we pay taxes?

Taxes cover a range of luxuries that we take for granted including things like new construction, funding schools, and medical research.

Q : How do taxes affect income?

The state you live in and the amount you make influence the amount you pay in taxes.

Additional Lesson Materials:

- Teacher Pie Chart of Taxes
- Students need devices for research.

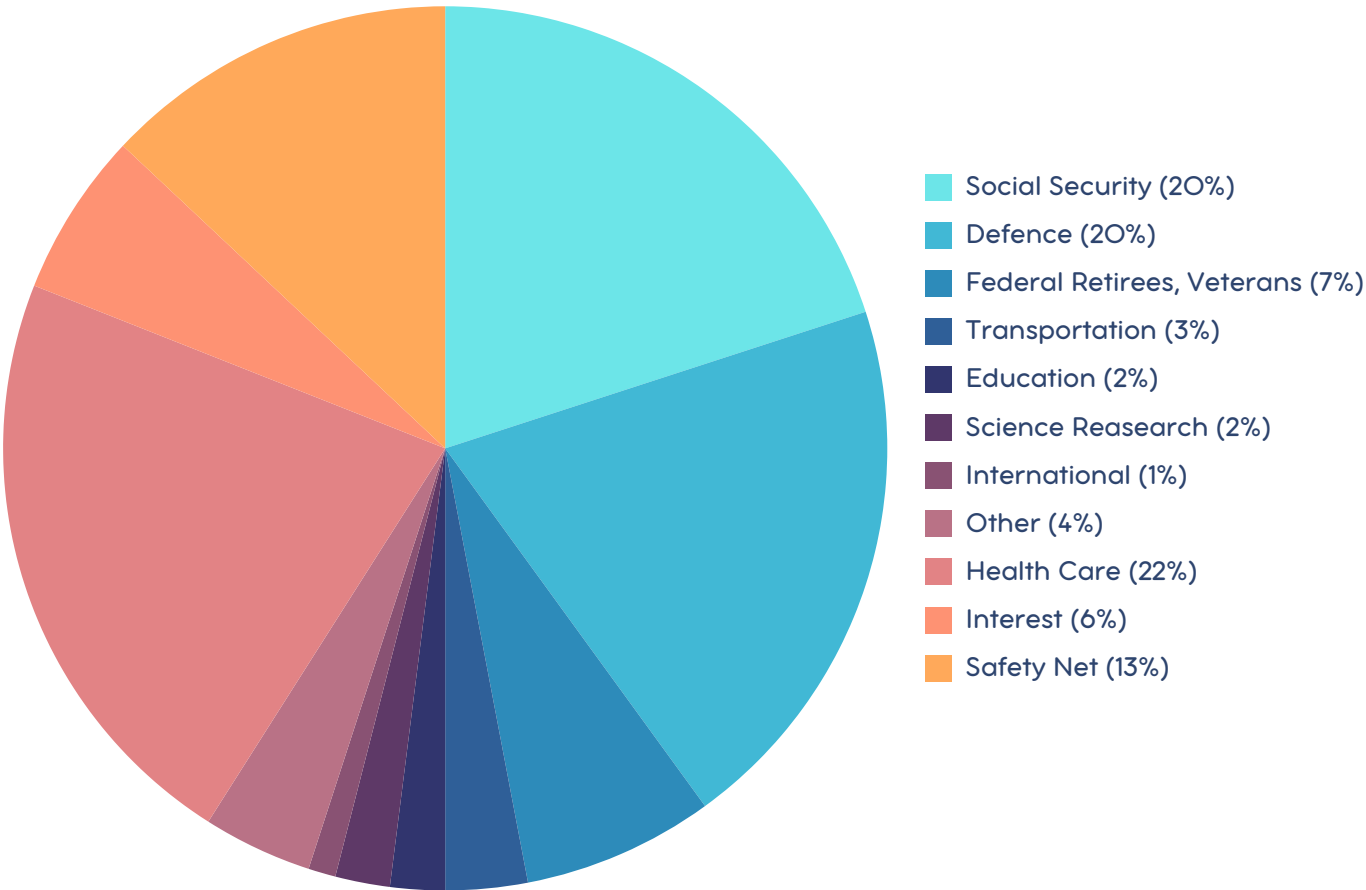
Education Standards Addressed:

SSPFL1 Evaluate various sources of income and analyze variables that affect a person's income.

- Analyze income as a scarce resource that must be allocated.
- Analyze how career choice, education, skills, and economic conditions are related to income and levels of unemployment.
- Describe the basic components of a pay-stub including gross pay, net pay, and common deductions (i.e. federal and state income tax, Federal Insurance Contributions Act (FICA - which includes Social Security and Medicare), and elective deductions like insurance and tax-deferred savings)



Teacher Pie Chart of Where Your Tax Dollars Go



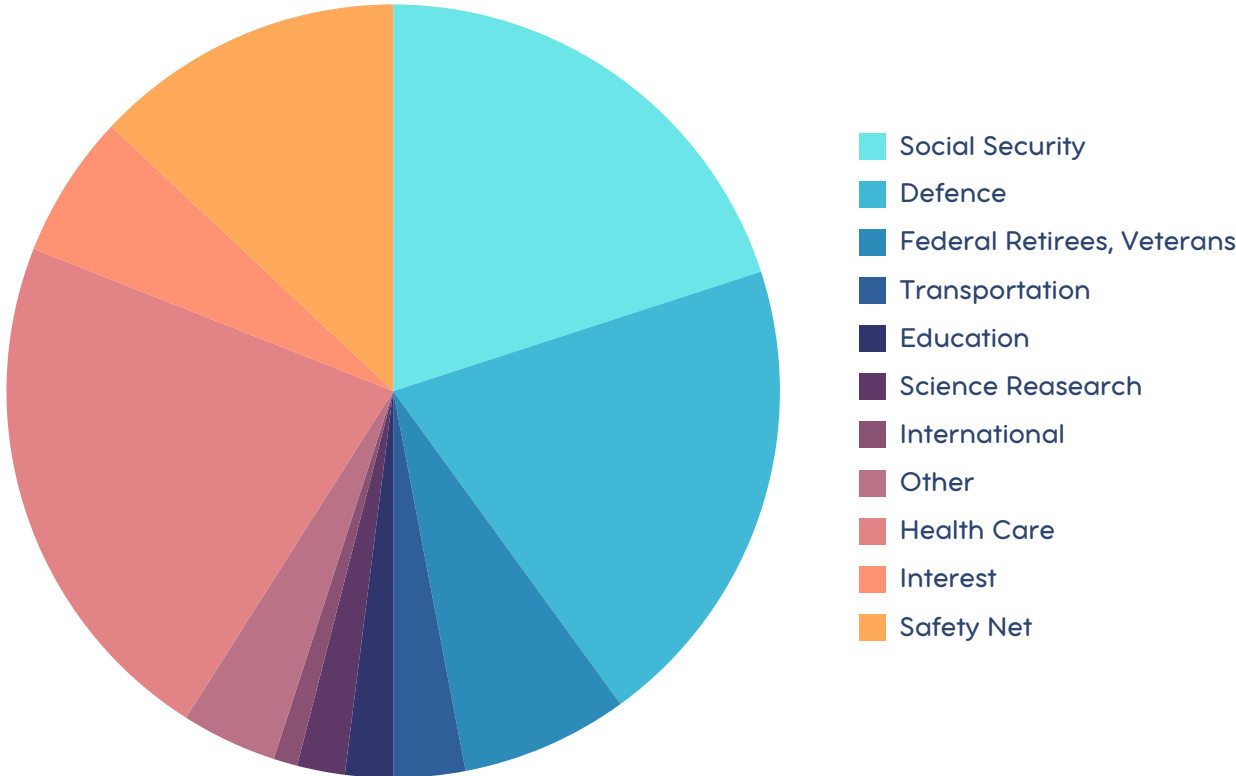
Examples:

- Social Security** : Social security checks for the elderly to support living expenses
- Defense** : Supports all military branches army, navy, and airforce
- Federal Reserve** : The country's banking system
- Transportation** : Supports public transportation like buses, trains, and subways
- Education** : Supports building and maintaining public schools
- Science Research** : Supports the research to create prescriptions, vaccines, medical technology
- International** : Support foreign affairs like aid to help other countries
- Other** : Supports any miscellaneous expenses that come up
- Health Care** : Supports programs like Medicare and Medicaid which provides healthcare to the elderly and low income families
- Interest** : Helps to pay back the country's debts
- Safety Net** : Set aside for emergencies

Where does your tax money go?

Directions:

As your teacher discusses each category enter the percentage number associated with it and provide one example of each category.



Write an example as your teacher explains each:

Social Security _____

Defense _____

Federal Reserve _____

Transportation _____

Education _____

Science Research _____

International _____

Other _____

Health Care _____

Interest _____

Safety Net _____

Explore Taxes Activity

Directions:

In today's video lesson you learned that taxes are used to cover a lot of the everyday services that we take for granted. They help to fund things like our military, public schools, and maintenance of our roads and sidewalks. Paying taxes can be a pain but having an understanding of what to expect can help as you venture into your career. Today you'll explore how some of the factors like where you live and how much you make affect how much you'll pay in taxes and the money you'll bring home to budget for living purposes.

1. Go to the following website [ADP Salary Calculator](#).
2. Scroll down to the section that asks "How often are you being paid?" In the box underneath that reads "Pay Frequency", click the down arrow to change it to Monthly.
3. In the next section titled "How are you paid?", make sure in the first box for "Type" that Salary is selected. In the box to the right of that titled "Gross Pay Method", select "Per Year".
4. In the last box to the right of "Gross Pay Method" titled "Amount", type in \$55,000.
5. Each person in the scenario below makes the same salary (\$55,000) but lives in different states. Now you will explore how the states they live in affects the amount of money they take home.

Scenario 1

Jackson is a Computer Engineer making \$55,000 in Alabama.

Hope is a Computer Engineer making \$55,000 in Hawaii.

Alex is a Computer Engineer making \$55,000 in Texas.

1. On the tab above the question "How often are you paid?" change it from "Earnings" to "State or Territory Taxes"
2. Change the state to each of the states in the chart below and fill in the numbers for each person.

	Jackson in Alabama	Hope in Hawaii	Alex in Texas
Earnings (Gross Pay)			
Federal Income Tax			
Social Security Tax			
Medicare Tax			
State Income Tax			
State Disability Insurance			
Take Home (Net Pay)			

1. Which person in the scenario is taking home the most after taxes?

2. Which person in the scenario is taking home the least after taxes?

3. Summarize how the state you live in can affect the amount of money you actually make.

Where you live is one factor that affects how much you pay in taxes. Another that affects how much you pay in taxes is **how much you make**.

1. Use the ADP Salary Calculator website under the tab "State and Territory Taxes" to Change the State to Georgia.
2. Go Back to the Earning tab.
3. Use the chart below to change the "Amount" next to "Salary" to match each of the salaries in the chart below.
4. Scroll down to find the earnings and fill in the chart accordingly for each scenario.

	Max is a teacher making \$35,000	Jade is a physical therapist making \$80,000	Paul is a technology consultant making \$175,000
Earnings (Gross Pay)			
Federal Income Tax			
Social Security Tax			
Medicare Tax			
State Income Tax			
State Disability Insurance			
Take Home (Net Pay)			

5. Summarize how the amount that a person pays in taxes changes as a person makes more money.