Financial Literacy Lesson: TAXES

Grades 9-12 | 55 minutes



Topic: Employment Taxes

PURPOSE
Understand payroll taxes and their impact on take-home pay.

OBJECTIVES
Identify gross and net pay, common deductions, and public services funded by taxes; compare pay across locations and incomes.



Teacher Lesson Outline | 55 Minutes

0–5 min	Taxes Video
5–11 min	Where Did My Paycheck Go?
11–19 min	Follow Your Tax Dollars
19–31 min	Paycheck Detectives
31–43 min	Same Salary, Different State
43–51 min	Salary Level Challenge
51–55 min	Exit Ticket

ACHIEVE
TRANSFORMATION

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START: Essential Questions

WHY DO WE PAY TAXES?

Taxes fund public services such as schools, roads, public safety, healthcare programs, and national defense.

HOW DO TAXES AFFECT INCOME?

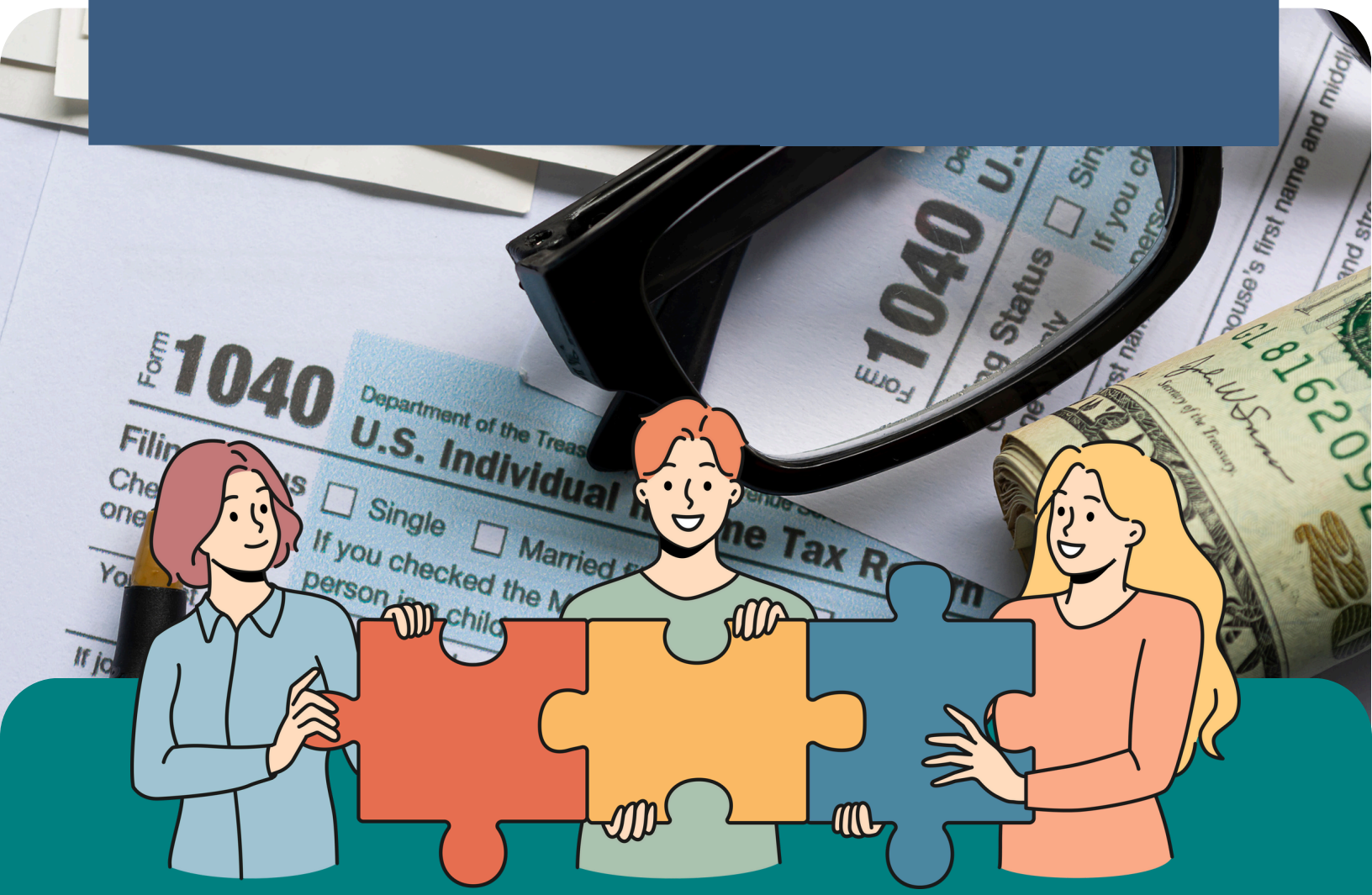
Withholding reduces take-home pay. Amounts depend on earnings, location, tax rules, filing details, and deductions.

Education Standards

Utah Standard 1.1
Analyze sources of income including taxes.

Utah Standard 1.5
Explain how taxes affect disposable income.

Utah Standard 1.6
Interpret pay stubs and deductions.



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Teacher guide | Questions & facilitation

Essential question 1: Why do we pay taxes?

Suggested answer: Taxes help pay for public goods and services, including schools, roads, public safety, healthcare programs, national defense, and other government responsibilities. Different taxes fund different levels and programs of government.

Essential question 2: How do taxes affect income?

Suggested answer: Some taxes are withheld from earnings, reducing take-home pay. The amount depends on factors such as earnings, tax rules, location, filing information, and applicable deductions. Gross pay is not the same as money available to spend.

0–5 min | Video

Play the Planned to A.T. Taxes video. Prompt: “Name one deduction you might see on a paycheck.”
Invite two rapid responses.

5–11 min | Where Did My Paycheck Go?

Write $1,000 gross pay on the board. Ask students to predict take-home pay. Reveal the fictional sample: federal withholding $80, Social Security $62, Medicare $14.50, state withholding $25; net pay $818.50. Ask: “What changed between the paycheck amount and the amount deposited?”

11–19 min | Follow Your Tax Dollars

Have pairs match tax-funded services to real-life examples on the worksheet. Discuss how federal, state, and local funding responsibilities may overlap. Invite students to identify services they use in daily life.
Ask which level of government helps fund each service and why it matters.

19–31 min | Paycheck Detectives

Pairs inspect the fictional pay stub and calculate net pay. Ask them to highlight mandatory payroll taxes versus an optional benefit deduction. Check arithmetic as a class.

31–43 min | Same Salary, Different State

Give teams the three fictional $55,000 salary cases (Alabama, Hawaii, Texas). Students compare assumed withholding totals, compute take-home pay, and defend why their results differ. Explain that state income-tax withholding is not the only difference in real-life cost of living.

43–51 min | Salary Level Challenge

Use the Georgia salary comparison worksheet ($35,000, $80,000, $175,000). Have students distinguish the dollar amount of deductions from the effective share of pay. Avoid saying every tax rate increases uniformly.

51–55 min | Exit Ticket

Collect a short individual response: “Explain gross versus net pay, name two deductions, and describe one factor that could change take-home pay.”

Student activity | Follow Your Tax Dollars

Directions: Match each government service to a familiar example. Then circle two that affect your daily life.

Service	Example	Match
A. Transportation	1. Retirement benefits for eligible older adults	____
B. Public education	2. Maintaining public roads and transit infrastructure	____
C. Social Security	3. Funding public school operations	____
D. Healthcare programs	4. Supporting military personnel and operations	____
E. National defense	5. Supporting eligible people through Medicare or Medicaid	____

Discussion: Which service would be hardest for your community to lose? Why?

_____

_____

_____

Think critically

A government spending chart may change from year to year. Why should you check the date and source before treating percentages as current?

_____

_____

_____

Important: Payroll deductions are not a direct receipt showing exactly where your own withheld dollars go. Federal, state, and local tax revenues fund different programs.

Student activity | Paycheck Detectives

This is a fictional practice pay stub. Use it to find the gross pay, each deduction, and net pay.

Employee: Jordan Lee Pay period: Two weeks Gross earnings: $1,000.00

Pay-stub line	Amount	What is it?
Federal income tax withholding	$80.00	Income-tax withholding
Social Security tax	$62.00	Payroll tax
Medicare tax	$14.50	Payroll tax
State income tax withholding	$25.00	Income-tax withholding
Optional health insurance	$45.00	Employee-selected benefit
Total deductions	_____	Add all deductions
Net pay	_____	Gross pay minus deductions

1. How much was withheld for taxes only?

_____

2. How much was withheld in total, including health insurance?

_____

3. What is Jordan's net pay?

_____

4. Which deduction is an optional employee benefit rather than a tax?

_____

5. Why should Jordan budget using net pay instead of gross pay?

_____

_____

Student challenge | Same Salary, Different State

Scenario: Jackson, Hope, and Alex each earn $55,000 annually. They live in Alabama, Hawaii, and Texas, respectively. For this activity only, assume the following fictional annual withholding amounts. All three have the same federal and FICA amounts to isolate the location variable.

Annual amount	Jackson (AL)	Hope (HI)	Alex (TX)
Gross pay	$55,000	$55,000	$55,000
Federal income tax	$4,500	$4,500	$4,500
Social Security	$3,410	$3,410	$3,410
Medicare	$797.50	$797.50	$797.50
State income tax	$1,500	$2,800	$0
Other deductions	$0	$0	$0
Total deductions	_____	_____	_____
Annual net pay	_____	_____	_____

1. Who takes home the most in this simulation? Why?

_____

_____

2. Who takes home the least? What caused the difference?

_____

_____

3. Does higher net pay necessarily mean the person has more money left after housing, transportation, and food? Explain.

_____

_____

_____

Teacher note: These numbers are invented for math practice, not real withholding estimates for these states. Real outcomes depend on filing status, tax year, deductions, and other factors.

Student challenge | Salary Level Comparison

Scenario: Three Georgia workers have different annual salaries. To make comparisons possible without a live calculator, use the fictional withholding totals provided. Determine net pay and the percentage withheld.

Worker	Gross salary	Fictional total annual deductions	Net pay	% withheld
Max — Teacher	$35,000	$6,300	_____	_____
Jade — Physical therapist	$80,000	$19,200	_____	_____
Paul — Technology consultant	$175,000	$49,000	_____	_____

1. Who pays the most in total dollar deductions?

_____

_____

2. Who has the largest percentage of pay deducted? Show the math.

_____

_____

3. Explain why a larger salary does not mean every dollar is taxed at the same rate.

_____

_____

_____

4. Which worker has the largest net pay? How does that differ from saying who can afford the most?

_____

_____

_____

Optional research: Use a current payroll calculator, such as ADP, with a consistent tax year and identical filing assumptions. Record the assumptions and compare results with these classroom simulations.

Student worksheet | Quick tax vocabulary

Term	Meaning
Gross pay	Earnings before taxes and other deductions
Net pay	Pay remaining after deductions
Federal income tax withholding	Amount withheld toward federal income tax obligations
State income tax withholding	Amount withheld toward state income tax, where applicable
Social Security and Medicare (FICA)	Payroll taxes that help fund federal social insurance programs
Elective deduction	A deduction chosen by the employee, such as certain benefits

Spot the difference

Write G for gross pay or N for net pay.

_____ 1. The amount that arrives in your bank account after deductions.

_____ 2. Your salary before withholding and benefit deductions.

_____ 3. The amount you should typically use to plan monthly spending.

Exit ticket

One thing taxes help pay for:

_____

Two deductions I may see on a pay stub:

_____

One factor that can change my take-home pay:

_____

_____

Teacher answer key | Classroom simulations

Public-services match

A–2; B–3; C–1; D–5; E–4.

Paycheck Detectives

Taxes only: $181.50. All deductions: $226.50. Net pay: $773.50. Optional benefit: health insurance ($45). Students should use net pay because it represents the funds actually available after deductions.

Same Salary, Different State

Worker	Total deductions	Annual net pay
Jackson (AL)	$10,207.50	$44,792.50
Hope (HI)	$11,507.50	$43,492.50
Alex (TX)	$8,707.50	$46,292.50

In this fictional comparison, Alex takes home the most and Hope the least because the assumed state withholding differs. Students should not infer overall affordability or real state tax liability from these figures.

Salary Level Comparison

Worker	Net pay	Share withheld
Max	$28,700	18%
Jade	$60,800	24%
Paul	$126,000	28%

Paul has the highest deductions in dollars and as a share of pay in this simulation. This illustrates a possible pattern, not a claim that every tax or payroll deduction is progressive.

Vocabulary check

1. N; 2. G; 3. N.

Teacher accuracy notes

The 2023 lesson used a pie chart labeled as a breakdown of tax dollars without a dated source. The new lesson substitutes a service-matching exercise. Do not confuse “federal retirees and veterans” with the Federal Reserve; “safety net” generally refers to assistance programs rather than a government emergency savings account. Current tax calculations require up-to-date rules and assumptions.

Optional live calculator guidance

If devices are available, students can explore the ADP payroll calculator. Set the same pay frequency, annual salary, tax year, and filing assumptions for every comparison; record any additional settings. Calculator interface labels may change. Use its results as an extension rather than a required dependency for the

55-minute class.