



**Where did my
money go?**



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Video Page



Where Did My Money Go?

Teacher's Guide

This Teacher's Guide includes the following:

- Suggested Lesson Plan
- Preview Questions
- Key Terms
- Viewing Guide
- Discussion Questions
- Activity: Who Chooses
- Quiz
- Enrichment and Integration Activities
- Answer Key

Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions and Key Terms.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking. (Note: You may want to turn on subtitles and/or provide students with a copy of the transcript, available on the izzit.org website.)
- Review and discuss answers to the Viewing Guide using Answer Key as a guide.
- Use Discussion Questions to spark class discussion, or assign these questions as homework.
- As a class or in small groups, complete the Who Chooses Activity.
- Replay the video as preparation for the Quiz.
- Administer and grade the Quiz using Answer Key as a guide.
- Optional: Assign one or more Enrichment Activities as homework.

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Preview Questions

(These are meant to be read aloud by the teacher.)

1. What are some of the different kinds of taxes people pay?
2. Do you pay taxes?
3. Why do we need taxes?
4. How much should people pay in taxes?

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Key Terms and Definitions

Corporation – a company or group of people authorized to act as a single entity (legally a person) and recognized as such in law

Flat tax – a tax in which everyone pays the same rate

Income tax -- the tax imposed by the government on taxable income

Progressive tax – a tax in which the tax rate increases as the taxable amount increases

Sales tax – a tax imposed by state and local governments on retail sales

Special interest group – an organized group that is determined to encourage or prevent changes in public policy (also called an advocacy group, lobbying group, or pressure group)

Tax Freedom Day – the day at which point individuals have worked long enough in the year to pay their entire tax bill

Tax revenue – the income that is gained by governments through taxation

Value-added tax – a type of consumption tax that is placed on a product whenever value is added at a stage of production and at final sale

Name: _____

Date: _____

Where Did My Money Go? **Viewing Guide, page 1**

1. The government spends nearly _____ dollars each year.
2. _____ pay a commercial license tax, a trailer registration tax and a road usage tax.
Everything you eat, wear or use carries some of that tax – passed along by the _____.
3. There are taxes to _____ people NOT to do certain things.
4. There's federal _____ tax that needs to be paid before any property is transferred to the dead person's heirs.
5. _____ are simply a group of individuals with a common mission.
6. Any corporate tax will result in reduced workers' _____, reduced stockholders' _____, or increased _____ for the consumer.
7. One way or the other, all taxes are paid by _____.
8. The VAT (value-added tax) is calculated on the _____ added at each stage of the manufacturing or distribution process.
9. _____ taxes take a much higher percentage of total income from low earners than from high earners.
10. Taxes have been around for a long time...maybe as long as _____.
11. Taxes go hand in hand with running _____.
12. The first tax on _____ in America was ... in 1861 to finance the Civil War.

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Where Did My Money Go? **Viewing Guide, page 2**

13. The U.S. would replace it with a _____ tax system, meaning those who earned more paid a higher rate.

14. Today...federal income taxes can commandeer up to _____ of a person's income.

15. Former Chief Justice...Oliver Wendell Holmes said, "_____ are what we pay for a civilized society."

16. The federal government expects to collect around _____ dollars in individual, corporate, payroll, estate and gift taxes every year.

17. Lobbyists and special interest groups...represent companies, unions, single-issue groups. And they're all there to get laws passed that _____ them.

18. ...reduce taxes and your average person would have more money to spend. That would boost the _____.

19. _____...is the day when U.S. taxpayers have earned enough money to pay off the country's total tax bill for the year.

20. The average American would have to hand over their paychecks for _____ days before they could finally keep the money for themselves.

21. If it weren't for all those taxes our government would have no _____ at all. Some of that money is essential to running our civilized society.

Where Did My Money Go?

Discussion Questions, page 1

1. Why was the teenage restaurant worker upset when she got her first paycheck?
2. Where does the federal government get most of the money it spends each year (currently about \$4 trillion)?
3. What are all of the different kinds of federal taxes? List as many as you can. How does the federal government collect all of these taxes?
4. Have you had a job where you received a paycheck? If so, did you notice how much was withheld from your earnings? Did you care?
5. What are some taxes people pay that aren't taken out of their paychecks? Which levels of government impose these taxes?
6. Besides phone taxes and sales taxes, what are some examples of taxes that are paid directly by individuals? List as many as you can.
7. Some taxes, while not being levied directly on consumers, end up being at least partially passed on to them in the form of higher prices. Taxes on truckers are an example. Can you think of others?
8. What are some examples of taxes designed to discourage certain behaviors? If taxes on these products or activities are effective at reducing these behaviors, what do you think taxes on income do?
9. How does the government tax people even after they die?
10. The girl in the video suggests that big corporations should pay taxes instead of individual workers like her. What is a corporation?

Where Did My Money Go?

Discussion Questions, page 2

11. When a corporation makes profits, where does the money go? Which people benefit? How do they benefit? Which individuals are paying the tax when the government taxes corporate profits? Suppose a company has less money to pay workers as a result of a tax on corporate profits. Who has actually paid the tax? Suppose a company responds to a tax on corporate profits by charging higher prices than it otherwise would. Who has actually paid the tax?
12. Sales taxes take a higher percentage of income from lower-income workers than higher-income workers. (This is known as a regressive tax.) Explain how this happens.
13. What is a Value Added Tax (VAT)? Explain in your own words how it works. Why is the VAT in European countries so much higher than sales taxes in the U.S.?
14. What are some historical examples of taxes and government spending from ancient times through the Middle Ages?
15. How did taxes play a part in the American Revolution? Why did the U.S. government impose taxes after independence?
16. When was the first income tax temporarily imposed in the U.S.? What was the money used for?
17. What is a progressive tax? Which of the taxes discussed in the video are progressive? Are sales taxes progressive? What about cigarette taxes or soda taxes?
18. According to the film, the federal government currently collects about \$3 trillion/year in taxes, but spends about \$4 trillion/year. Where does the rest come from?
19. Why is the tax code so complex?
20. How could lower tax rates boost the economy? How could this increase tax revenues?
21. What is Tax Freedom Day? What is the concept meant to illustrate?
22. What should the government do with our tax dollars?

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Activity:

Who chooses? Who benefits? Who pays? What's fair?

[These four questions can be a useful tool for evaluating any policy or system. Posing the questions is a great way to stimulate critical thinking.]

As a class, or in small groups, discuss the following:

(For each question, think broadly about all the possible people or groups of people who may be affected, and remember there may be non-monetary costs and benefits.)

1. When you pay taxes, who chooses how the money is spent? Who chooses how to spend money that is untaxed?
2. What are some things the government spends money on that benefit everyone? What are some types of government spending that benefit only some people? Who benefits?
3. Who pays taxes? Which taxes affect poor people? Which taxes hit some people harder than others?
4. Would the benefits of more government spending on services be enough to justify the costs in taxes? Is the amount government currently spends worth it, or would we be better off with lower taxes? Who decides this?
5. Which do you think is fairer? A progressive tax or a flat tax? Explain why you think that way.

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Where Did My Money Go? **Quiz, page 1**

1. The first income tax in the U.S. was temporarily imposed in _____.
 - A) 1798
 - B) 1861
 - C) 1913
 - D) the Middle Ages

2. When corporations pay taxes, where does the money come from?
 - A) lower employee salaries, lower investor dividends, or higher prices
 - B) the Board of Directors
 - C) excess profits
 - D) the CEO

3. The Value Added Tax in Europe is about _____.
 - A) 5%
 - B) 10%
 - C) 20%
 - D) 40%

4. Tax Freedom Day is the day that _____.
 - A) is set aside as a special day on which Americans pay no taxes
 - B) U.S. workers have earned enough to pay their entire tax bill for the year
 - C) we celebrate the repeal of the federal income tax
 - D) America gained independence, July 4, 1776

5. The federal government currently spends about _____ per year.
 - A) \$4,000,000,000
 - B) \$400,000,000,000
 - C) \$4,000,000,000,000
 - D) \$40,000,000,000,000

Name: _____

Date: _____

Where Did My Money Go? **Quiz, page 2**

6. Which of the following is NOT an example of a federal tax?
- A) estate tax
 - B) personal income tax
 - C) driver's license
 - D) social security tax
7. Who ultimately pays all taxes?
- A) individuals
 - B) businesses and corporations
 - C) it depends on the type of tax
 - D) the government
8. Which of the following is an example of a progressive tax?
- A) gasoline tax
 - B) cigarette tax
 - C) Social Security Tax
 - D) federal income tax
9. A quick look at history shows that _____.
- A) taxes are a modern invention
 - B) taxes are much higher now than in the past
 - C) taxes are much lower now than in the past
 - D) taxes have been around as long as there have been governments
10. Which of the following was one of the taxes that led to the American Revolution?
- A) annual grain harvest tax
 - B) Stamp Act tax
 - C) 1% general sales tax
 - D) property tax
11. How does a value-added tax work?

Where Did My Money Go?

Enrichment and Integration Activities, page 1

1. Math: Understanding regressive taxes. How do regressive taxes disproportionately affect those with lower incomes? Create an example, using hypothetical numbers for three different hourly incomes, typical prices of a common good, and your local sales tax rates, to show how sales taxes are regressive. (If your state does not have sales taxes, use the rate in a neighboring state.) Now do the same for cigarette or soda taxes, using the actual tax rates where you live.

A sample table is provided below. Use your state's sales tax and "sin" taxes if applicable. (Find the info online.) We have used PA's current 6% sales tax, \$1.60 per pack cigarette "sin" tax, and there is no "sin" tax on soda purchased at a grocery store in PA. Also find the normal "average" prices in your area for these products.

Regressive Taxes Worksheet

Product	Normal Price	Sales tax (6% in PA)	Income	% of hourly income the tax "eats"
Fast Food Meal	\$7.48		\$10 per hour	
			\$27.50 per hour	
			\$60 per hour	
Sneakers	\$68.00		\$10 per hour	
			\$27.50 per hour	
			\$60 per hour	
Video Game	\$55.00		\$10 per hour	
			\$27.50 per hour	
			\$60 per hour	
		6% sales tax + \$1.60 per pack "sin" tax		
Cigarettes (1 pack)	\$5.50		\$10 per hour	
			\$27.50 per hour	
			\$60 per hour	
Soda (2 liter bottle)	\$1.50		\$10 per hour	
			\$27.50 per hour	
			\$60 per hour	

Where Did My Money Go?

Enrichment and Integration Activities, page 2

2. Math: Understanding progressive taxes. How do progressive taxes compare with flat rate taxes? Create an example comparing tax revenue collected under a flat rate tax with revenue collected under a progressive tax. Under the flat rate system, which income level pays the most in taxes? Under the progressive system, which income level pays the most in taxes? Which system is fairer? Why? (Unlike in our example, most flat tax proposals would exempt a certain amount of income from taxation.)

In the blank rows, choose your own income amount to calculate.

Annual Income	Flat Tax 15%	Progressive Tax - Use Chart to calculate
\$ 20,000.00		
\$ 50,000.00		
\$ 120,000.00		
\$ 300,000.00		

Single:

Taxable Income	Tax Rate
\$0 to \$9,225	10%
\$9,226 to \$37,450	\$922.50 plus 15% of the amount over \$9,225
\$37,451 to \$90,750	\$5,156.25 plus 25% of the amount over \$37,450
\$90,751 to \$189,300	\$18,481.25 plus 28% of the amount over \$90,750
\$189,301 to \$411,500	\$46,075.25 plus 33% of the amount over \$189,300
\$411,501 to \$413,200	\$119,401.25 plus 35% of the amount over \$411,500
\$413,201 or more	\$119,996.25 plus 39.6% of the amount over \$413,200

This chart of tax rates was pulled from the 2015 tax charts from the U.S. IRS. If you'd prefer to use the most recent charts (post 2015 filing season), look them up online.

Progressive tax means the more money you make, the higher tax you pay. Note this chart has 7 tax brackets

An individual pays 10% on the first \$9,225 of income. They pay 15% on the amount from \$9,226 - \$37,450. They pay 25% on the amount from \$37,451 - \$90,750 and so on.

Example:
 \$30,000 income
 $\$922.50$ plus 15% of the amount over \$9,225
 $\$30,000 - \$9,225 = \$20,775$
 $\$20,775 * .15 = \$3,116.25$
 $\$3,116.25 + \$922.50 = \$4,038.75$ in total tax due.

Where Did My Money Go?

Enrichment and Integration Activities, page 3

3. Writing: Essay. What did Chief Justice Oliver Wendell Holmes mean when he said, “Taxes are what we pay for a civilized society”? What is a civilized society? What is the role of government in a civilized society? Does everyone agree on this? What are some government expenses that most people agree are necessary? What are some that are controversial? What is your view?
4. Technology: Spreadsheets. For one week or one month, keep track of every tax you pay. Be sure to include phone taxes, sales taxes, license fees, etc. How is each type of tax collected? Record and categorize your data in a spreadsheet. Which types of taxes do you spend the most on? How much control do you have over how much you pay in taxes?
5. Discussion/Debate: Tax fairness. Assuming the government needs a certain amount of revenue, what is the best way to tax people to get that revenue? Would it be better to have just one or a few types of taxes, such as an income or value-added tax, or to have many different types of taxes like we do now? What would be some advantages and disadvantages of each system? Would it be better to have only direct taxes on individuals, such as the federal income tax, or to have some indirect taxes like we do now? Indirect taxes are those that are passed on in the form of higher prices, such as property taxes on landlords that are passed on to tenants in the form of higher rents. How do some taxes, such as road tolls or license fees, change behavior or impose extra costs (besides the actual tax)? Would it be better to raise this tax revenue in a more efficient way? What criteria should we use to judge between different types of tax systems to determine what is best or most fair?
6. Life Skills – Teach your students to fill out a W-4 form (can be found online. <https://www.irs.gov/pub/irs-pdf/fw4.pdf>) Have the students put in 555-55-5555 or 123-45-6789 in place of their real SS number, but explain to them what a SS number is. Show the mock W-2 form and teach them the parts to it. Get an EZ tax form (can be found online. Here is the pdf for 2015 - <https://www.irs.gov/pub/irs-pdf/f1040ez.pdf> Form instructions here: <https://www.irs.gov/pub/irs-pdf/i1040ez.pdf>) and have your students fill it out based on the mock W-2 provided in this guide. Here is a link to help you understand the W-2 and use with your students: <http://www.forbes.com/sites/kellyphillipserb/2014/02/11/understanding-your-tax-forms-the-w-2/> . Make sure students understand that these forms change each year, as does which form they need to use, so they should always seek help if needed.

Where Did My Money Go? **Viewing Guide Answer Key**

1. 4 trillion
2. Truckers, shipper
3. encourage
4. estate
5. Corporations
6. salaries, dividends, prices
7. individuals
8. value
9. Sales
10. civilization
11. government
12. income
13. progressive
14. 40%
15. Taxes
16. 3 trillion
17. favor
18. economy
19. Tax Freedom Day
20. 114
21. money

Quiz Answer Key

1. B) 1861
2. A) lower employee salaries, lower investor dividends, or higher prices
3. C) 20%
4. B) U.S. workers have earned enough to pay their entire tax bill for the year
5. C) \$4,000,000,000,000
6. C) driver's license
7. A) individuals
8. D) federal income tax
9. D) taxes have been around as long as there have been governments
10. B) Stamp Act tax

Where Did My Money Go?

Regressive Taxes Worksheet Answer Key

Product	Normal Price	Sales tax (6%)	Income	% of hourly income the tax "eats"
Fast Food Meal	\$7.48	\$ 0.45	\$10 per hour	4.500%
			\$27.50 per hour	1.700%
			\$60 per hour	0.800%
Sneakers	\$68.00	\$ 4.08	\$10 per hour	41.000%
			\$27.50 per hour	15.000%
			\$60 per hour	7.000%
Video Game	\$55.00	\$ 3.30	\$10 per hour	33.000%
			\$27.50 per hour	12.000%
			\$60 per hour	5.500%
		6% sales tax + \$1.60 per pack "sin" tax		
Cigarettes (1 pack)	\$5.50	0.33	\$10 per hour	19.000%
		1.6	\$27.50 per hour	7.000%
		Total tax = \$1.93	\$60 per hour	3.000%
Soda (2 liter bottle)	\$1.50	0.09	\$10 per hour	0.900%
			\$27.50 per hour	0.300%
			\$60 per hour	0.020%

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Flat vs Progressive Tax Worksheet Answer Key

Income	Flat Tax 15%	Progressive Tax - Use Chart to calculate
\$ 20,000.00	\$3,000.00	\$2,538.75
\$ 50,000.00	\$7,500.00	\$8,293.75
\$ 120,000.00	\$18,000.00	\$26,671.00
\$ 300,000.00	\$45,000	\$82,606.00

Single:

Taxable Income	Tax Rate
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