

Four Kinds of Taxes

Learn what each tax is. Then find totals with sales tax.

Four kinds of taxes

- A**  **Income tax:** a tax on the money people earn in a year.
- B**  **Payroll tax:** taken from paychecks for Social Security and Medicare.
- C**  **Sales tax:** added to the price of things you buy.
- D**  **Property tax:** paid each year by people who own a house or land.

Which tax is it? Write A, B, C or D.

Example Leo buys a **\$20.00** shirt and pays **\$21.60** at the register.

C

1. The Garcia family pays the county **\$3,200** a year for their home.

☐

2. **\$46.50** for Social Security is taken out of a cook's paycheck.

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3. Each April, Ms. Ruiz pays a tax on the money she earned last year.

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4. A **\$9.00** book costs **\$9.72** at the checkout.

☐

5. A farmer pays a tax every year on the land she owns.

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6. A pay stub shows **\$11.24** taken out for Medicare.

☐

Sales tax here is 8¢ for every \$1. Find the tax and the total.

Item	Price	Sales tax	Total
Example  Book	\$12.00	\$0.96	\$12.96
7.  Sneakers	\$45.00	_____	_____
8.  Bike	\$130.00	_____	_____
9.  Video game	\$26.00	_____	_____
10.  Backpack	\$38.00	_____	_____
11.  Umbrella	\$15.00	_____	_____

Gross and Net Income

Net pay is gross pay minus taxes and other deductions.

Remember

Gross income is all the money you earn, before anything is taken out.

Net income is what you take home: gross income – taxes and deductions.

Find the gross pay, the total taken out and the net pay.

Pay stub: Cashier Example	
32 hours at \$15.25 an hour	
Gross pay	<u>\$488.00</u>
Taken out:	
Income tax	\$29.80
Social Security	\$30.26
Medicare	\$7.08
Health insurance	\$15.00
Total taken out	<u>\$82.14</u>
Net pay	<u>\$405.86</u>

Pay stub: Nurse 1.	
36 hours at \$38.50 an hour	
Gross pay	_____
Taken out:	
Income tax	\$152.46
Social Security	\$85.93
Medicare	\$20.10
Health insurance	\$42.00
Total taken out	_____
Net pay	_____

Find the missing amount on each paycheck.

Job	Gross income	Taxes and deductions	Net income
Example  Mail carrier	\$2,450.00	\$367.50	<u>\$2,082.50</u>
2.  Chef	\$1,800.00	\$243.75	_____
3.  Pilot	_____	\$512.40	\$2,987.60
4.  Farmer	\$960.00	_____	\$816.35

Explain in your own words.

5. Why is your net income less than your gross income?

6. Ana's gross pay is \$600. She plans to spend all \$600. What is wrong?

Ways to Pay

Weigh the good and the bad of each way to pay.

Four ways to pay

- A**  **Check:** a paper note that tells your bank to pay someone.
- B**  **Debit card:** takes money from your bank account right away.
- C**  **Credit card:** borrows money you pay back later, maybe with interest.
- D**  **Electronic payment:** paying from your account by phone or computer.

Is it an advantage or a disadvantage? Circle one.

A Example It leaves a paper record.	<u>advantage</u>	disadvantage
A 1. It can take days for the money to arrive.	advantage	disadvantage
B 2. If it is stolen, your money can be spent.	advantage	disadvantage
B 3. You can only spend money you have.	advantage	disadvantage
C 4. You can buy something now and pay later.	advantage	disadvantage
C 5. If you pay late, you owe interest.	advantage	disadvantage
D 6. You need a device and a safe password.	advantage	disadvantage
D 7. You can pay a bill from home in seconds.	advantage	disadvantage

Which way to pay fits best? Write A, B, C or D.

Example The landlord wants the rent on paper, sent by mail.	A
8. The water bill is due today. You want to pay it now, from home.	☐
9. A family needs a \$900 fridge today but gets paid in two weeks.	☐
10. At the store, you want groceries paid straight from your account.	☐

A credit card can cost more. Find the total paid.

Example A bike paid off over 4 months: \$200 + \$9 interest = \$209
11. A TV paid off over 6 months: \$600 + \$27.50 interest = _____

Keeping Records

Write each payment and deposit. Then find the new balance.

Remember

An account register is a record of the money in a bank account.
Deposits add to the balance (+). **Payments** subtract from it (-).

Fill in the balance after each deposit or payment.

Date	What for	Payment (-)	Deposit (+)	Balance
Sep 1	Starting balance			\$842.50
Sep 2	Example  Paycheck		\$1,236.40	\$2,078.90
Sep 3	 Check 101: rent	\$950.00		
Sep 6	 Debit card: groceries	\$86.27		
Sep 9	 Online: electric bill	\$112.93		
Sep 14	 Gift from Grandma		\$50.00	
Sep 16	 Paycheck		\$1,236.40	
Sep 20	 Debit card: gas	\$48.65		

All deposits added up: _____

All payments added up: _____

Make a record for Kim. Fill in every line.

Oct 4: deposits \$12.50 from pet sitting

Oct 9: buys a book for \$8.75

Oct 15: deposits \$10.00 birthday money

Oct 20: pays \$6.40 for a movie

Date	What for	Payment (-)	Deposit (+)	Balance
Oct 1	Starting balance			\$35.00
Oct 4	Example Pet sitting		\$12.50	\$47.50

Balancing a Budget

Is each budget balanced? If not, change the plan.

Remember

A budget is **balanced** when expenses are not more than income.

When expenses are more than income, spend less, earn more, or both.

Is each monthly budget balanced? Find the difference.

	Income	Expenses	Balanced?	Difference
Example	\$2,800.00	\$2,650.00	<u>yes</u> no	\$150.00
1.	\$3,100.00	\$3,325.50	yes no	_____
2.	\$1,950.00	\$1,950.00	yes no	_____
3.	\$2,640.00	\$2,718.40	yes no	_____

The Reyes family's monthly budget is not balanced. Fix it.

Expense	Amount
Rent	\$1,250.00
Food	\$735.00
Car payment	\$320.00
Gas	\$165.40
Phone	\$95.00
Electricity and water	\$214.60
Eating out	\$280.00
Clothes and fun	\$220.00
Savings	\$450.00

Income (net pay): \$3,640.00

4. Total expenses: _____

5. Expenses are over by _____

6. Circle the two changes that balance the budget exactly.

Eat out less
saves \$60.00

Cancel a game app
saves \$15.00

Buy fewer clothes
saves \$30.00

Skip a movie night
saves \$25.00

Would it help balance a budget? Circle one.

Example Earn extra money by doing more jobs.

helps

does not help

7. Spend less on wants, like snacks and games.

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The Garcia family pays the county **\$3,200** a year for their home.
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Each April, Ms. Ruiz pays a tax on the money she earned last year.
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A farmer pays a tax every year on the land she owns.
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A pay stub shows **\$11.24** taken out for Medicare.

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36 hours at \$38.50 an hour		
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Explain in your own words.

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Ways to Pay

Weigh the good and the bad of each way to pay.

Four ways to pay

- A**  **Check:** a paper note that tells your bank to pay someone.
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Which way to pay fits best? Write A, B, C or D.

Example The landlord wants the rent on paper, sent by mail.

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9. A family needs a **\$900** fridge today but gets paid in two weeks.

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Example A bike paid off over 4 months: **\$200** + **\$9** interest = **\$209**

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10.  Backpack	\$38.00	\$3.04	\$41.04
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Social Security	\$30.26	Social Security	\$85.93
Medicare	\$7.08	Medicare	\$20.10
Health insurance	\$15.00	Health insurance	\$42.00
Total taken out	\$82.14	Total taken out	\$300.49
Net pay	\$405.86	Net pay	\$1,085.51

Find the missing amount on each paycheck.

Job	Gross income	Taxes and deductions	Net income
Example  Mail carrier	\$2,450.00	\$367.50	\$2,082.50
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4.  Farmer	\$960.00	\$143.65	\$816.35

Explain in your own words.

5. Why is your net income less than your gross income?

Sample: Taxes and other deductions come out before you are paid.

6. Ana's gross pay is \$600. She plans to spend all \$600. What is wrong?

Sample: She only takes home her net pay, which is less than \$600.

Ways to Pay

Weigh the good and the bad of each way to pay.

Four ways to pay

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- | | | |
|---|------------------|---------------------|
| A Example It leaves a paper record. | <u>advantage</u> | disadvantage |
| A 1. It can take days for the money to arrive. | advantage | <u>disadvantage</u> |
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| B 3. You can only spend money you have. | <u>advantage</u> | disadvantage |
| C 4. You can buy something now and pay later. | <u>advantage</u> | disadvantage |
| C 5. If you pay late, you owe interest. | advantage | <u>disadvantage</u> |
| D 6. You need a device and a safe password. | advantage | <u>disadvantage</u> |
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Which way to pay fits best? Write A, B, C or D.

- | | |
|---|----------|
| Example The landlord wants the rent on paper, sent by mail. | A |
| 8. The water bill is due today. You want to pay it now, from home. | D |
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- | |
|---|
| Example A bike paid off over 4 months: $\$200 + \$9$ interest = <u>\$209</u> |
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Sep 9	 Online: electric bill	\$112.93		\$929.70
Sep 14	 Gift from Grandma		\$50.00	\$979.70
Sep 16	 Paycheck		\$1,236.40	\$2,216.10
Sep 20	 Debit card: gas	\$48.65		\$2,167.45

All deposits added up: **\$2,522.80**

All payments added up: **\$1,197.85**

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Oct 4	Example  Pet sitting		\$12.50	\$47.50
Oct 9	Book	\$8.75		\$38.75
Oct 15	Birthday money		\$10.00	\$48.75
Oct 20	Movie	\$6.40		\$42.35

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