



## Section 2: Guided Reading and Review

# Federal Taxes



### A. As You Read

As you read Section 2, fill in supporting facts or details under each main idea by answering each question.

**Main Idea:** Individual income taxes are imposed on the income of all individuals living in the country.

1. Why do employers withhold a set amount of your income? \_\_\_\_\_  
\_\_\_\_\_
2. What is taxable income? \_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** Federal Insurance Contributions Act (FICA) taxes fund two large government programs.

3. What does Social Security provide? \_\_\_\_\_  
\_\_\_\_\_
4. What is Medicare? \_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** Taxes are sometimes used to affect behavior.

5. What items are taxed for the purpose of changing behavior? \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_\_\_ 6. amounts that you can subtract from your income when filing taxes
- \_\_\_\_\_ 7. form used to file one's income taxes
- \_\_\_\_\_ 8. income on which tax must be paid
- \_\_\_\_\_ 9. tax on a monetary gift from a living person valued above a certain amount
- \_\_\_\_\_ 10. tax on the total value of the money and property of a person who has died
- \_\_\_\_\_ 11. tax payments taken out of an employee's pay before he or she receives a paycheck
- \_\_\_\_\_ 12. tax levied on foreign goods brought into the United States

#### Column II

- a. taxable income
- b. tariff
- c. tax return
- d. withholding
- e. deductions
- f. gift tax
- g. estate tax



## Section 4: Guided Reading and Review

# State and Local Taxes and Spending



### A. As You Read

As you read Section 4, fill in examples of each item in the space provided.

#### Spending

*(State Governments)*

Provide examples of goods or services on which state taxes are spent for each category.

1. Education: \_\_\_\_\_  
\_\_\_\_\_
2. Public Safety: \_\_\_\_\_  
\_\_\_\_\_
3. Highways and Transportation: \_\_\_\_\_  
\_\_\_\_\_
4. General Welfare: \_\_\_\_\_  
\_\_\_\_\_
5. Arts and Recreation: \_\_\_\_\_  
\_\_\_\_\_
6. Administration: \_\_\_\_\_  
\_\_\_\_\_

*(Local Governments)*

Provide examples of goods or services on which local taxes are spent for each category.

12. Law enforcement: \_\_\_\_\_  
\_\_\_\_\_
13. Public facilities: \_\_\_\_\_  
\_\_\_\_\_
14. Public health: \_\_\_\_\_  
\_\_\_\_\_

#### Sources of Revenue

*(State Governments)*

Provide examples of each type of tax from which states earn revenue.

7. Sales Tax: \_\_\_\_\_  
\_\_\_\_\_
8. Excise Tax: \_\_\_\_\_  
\_\_\_\_\_
9. Income Tax: \_\_\_\_\_  
\_\_\_\_\_
10. Corporate Income Tax: \_\_\_\_\_  
\_\_\_\_\_
11. Business Taxes: \_\_\_\_\_  
\_\_\_\_\_

*(Local Governments)*

Provide examples of each type of tax from which local governments earn revenue.

15. Property Taxes: \_\_\_\_\_  
\_\_\_\_\_
16. Other Taxes: \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Answer each of the following questions.

17. What is the difference between real property and personal property? \_\_\_\_\_  
\_\_\_\_\_
18. What is the difference between an operating budget and a capital budget? \_\_\_\_\_  
\_\_\_\_\_
19. What is a sales tax? \_\_\_\_\_  
\_\_\_\_\_
20. What is the relationship between revenues and spending in a balanced budget? \_\_\_\_\_  
\_\_\_\_\_