

Sales Tax, Tips and Discounts Lesson Plan

Overview

In this lesson, students will learn about sales tax, discounts, and tips as integral aspects of their daily lives. Helping them make informed financial decisions. By the end of this lesson, students will be equipped with the skills to calculate these terms in a range of scenarios.

Objectives

By the end of the lesson, students will:

- Define sales tax, discounts and tips
- Calculate sales tax, discounts and tips
- Understand the importance of knowing these terms

Vocabulary

- **Sales Tax** is a tax that is charged on goods sold to end customers. The Sales Tax is a set percentage of the price after discounts.
- A **Discount** is a deduction in price from the usual cost of a product or service.
- A **Tip** a voluntary payment made to an individual who has provided a service.

Standards

This listing is based on the Jump\$tart National Standards for Personal Finance. To see how this lesson aligns with other standards (including for your state), visit:

<https://www.personalfinancelab.com/standards-alignment/>

Spending and Saving

- Standard 1. Develop a plan for spending and saving.
- Standard 3. Describe how to use different payment methods.

Lesson Plan Includes

	Direct Instruction		Presentations
	Class Discussion		Technology-Based Activity
	Full Class Activities		Worksheets
	Small Group Activities		Assessments
	Individual Activities		External Resources

Activity Summary

- Introduction  
 - Time: 5 mins
- PFL Budget Game   
 - Time: 20 mins.
- Sales Tax: Who Pays, Collects, and Why?     
 - Time: 9 mins
- Shopping w. Sales Tax   
 - Time: 10 mins.
- Real World Problems   
 - Time 15 mins.
- Calculating Sales Tax  
 - Time: 15 mins.

Introduction

Ask students if they have ever bought something at the store and it says the price is \$1.00 but when they check out it costs \$1.06?

Explain to students that today they will be learning about sales tax.

- **Sales Tax** is a tax that is charged on goods sold to end customers. The Sales Tax is a set percentage of the price of the goods sold.

Ask students:

- Have they ever paid a sales tax?
- Where and what did they buy?

Pass out a few shopping receipts and have the students pass them around and look for the sales tax.

Independent Activities

Activities designed for students to learn independently, either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

Independent Activities Include:

1. PersonalFinanceLab Budget Game.....**Time: 20 Minutes**
2. Sales Tax: Who Pays, Collects, and Why? Lesson.....**Time: 9 Minutes**
3. Shopping with Tax.....**Time: 10 Minutes**
4. Real World Problems.....**Time: 15 Minutes**



1. PersonalFinanceLab Budget Game

Have students complete 20 minutes of the PersonalFinanceLab.com Budget Game.

Time: 20 Minutes

Type:  Technology-Based Activity

Required Resources: PersonalFinanceLab.com site license & computer access.

 Individual Activity/Homework

 Class Discussion

Resource Links

[Budget Game - PersonalFinanceLab](#)

How to Play the Budget Game

[Tutorial Video](#)

Getting Started

- Have students complete 1 simulated month of the PersonalFinanceLab.com Budget Game.
- Have students record any purchases (item and price) that they make during the month.
- After they completed the month, assign students a sales tax rate that is the same to the tax rate that you have where your school is located.
- Have the students apply sales tax to all of the items to calculate their actual cost.
- Have students turn in these calculations as an assessment.
- Either as a class, or individually, students can watch the [How to Play the Budget Game](#).
- If your students need more help, there are [Tutorial Videos](#) on every aspect of the Budget Game.

Discussion Questions

1. How do you currently factor sales tax into your budgeting and spending decisions?
2. Have you ever made a purchase solely because of a sales tax exemption or a state-specific tax break?
3. How do you think sales tax affects your perception of value when making a purchase?
4. Are there certain products or services where you feel the sales tax is more or less justified?

Key Takeaway

- **Sales tax** is a type of consumption tax imposed by state and local governments on the sale of certain goods and services, typically ranging from 4% to 15% of the purchase price.
- **Consumption tax** is a tax on the purchase of goods and services, rather than on income or profits.
- **Sales tax rate** is the percentage of the purchase price that is added as sales tax.



2. Sales Tax: Who Pays, Collects, and Why? Lesson

Assign your students this lesson on PersonalFinanceLab.com. This lesson defines what sales tax is and how it affects the market. The lesson also clarifies what items and states have sales tax and which don't. As an assessment, students will be required to complete the quiz at the end. If used as homework, consider following up with discussion questions the next day.

Time: 9 minutes

Required Resources: PersonalFinanceLab.com site license & computer access.

Type:  Technology-Based Activity  Presentation
 Individual Activity/Homework  Assessment
 Class Discussion

Resource Links

[Sales Tax: Who Pays, Collects, and Why? \(personalfinancelab.com\)](https://personalfinancelab.com)

Presentation

[Sales Tax GoogleSlides Presentation](#)

Discussion Questions

1. What is sales tax?
2. Do we have sales tax in our state?
3. Why do we have sales tax?

Key Takeaways

- **Sales tax** is a tax charged on goods sold to end customers.
- Businesses collect sales tax once the product has been sold.
- Different levels of government have different rules for when sales taxes need to be remitted back to the government.
- Most states have tax exemptions for groceries, but some states tax sugary or prepared food at regular rates.
- Sales taxes only need to be paid for residents of that state.
- Products and services used by non-profits are tax exempt, but they need a certificate to prove it.
- If you plan to resell a product, you are tax exempt.



3. Shopping with Tax

In this activity students will calculate the sales tax and discounts of various different clothing items.

Time: 10 Minutes

Required Resources: Worksheet

Type:  Individual Activity/Homework  External Resource

 Class Discussion

Resource Links

[Shopping With Sales Tax Word Problems](#)
by [tech-nology.com](#)

Instructions

1. Print out page one of the worksheet. Page two includes the Answer Key.
2. Pass out one worksheet to each student and have students complete in class or as homework.
3. Collect as an assessment.
4. Follow-up with Discussion Questions.

Discussion Questions

1. Have you ever received a discount or promotion on a purchase?
2. Did it make you more likely to make the purchase?
3. How do you think sales tax affects small businesses versus large corporations? Do you think small businesses are more or less affected by sales tax?

Key Takeaways

- In the United States, there is no national or federal sales tax, only state and local tax.
- Purchases that usually have sales tax include: electronics, furniture, cars, clothing or prepared foods (not groceries).
- **Value-Added Tax (VAT)** is commonly used outside of the United States. It's an indirect tax that is imposed at every stage when value is added in the production of goods and services.
- **Goods and Services Tax (GST)** is similar to VAT, but is usually a flat-rate percentage that is charged at every stage of production regardless of whether value has been added.



4. Real World Problems

In this activity, students will be reading and answering short word problems that either involve a question about a discount, tax or tip.

Time: 15 Minutes

Required Resources: Worksheet

Type:



Individual Activity/Homework



Worksheet



Class Discussion

Resources

Real World Problems Worksheet

Instructions

1. Print pages 8-10 of this pdf and distribute to each student in your class.
2. Page 11 includes an Answer Key.
3. Have students complete in class or as homework.
4. Collect as an assessment.
5. Follow-up with Discussion Questions.

Discussion Questions

1. How do discounts, taxes, and tips affect the final cost of an item or service?
2. What are some common scenarios where you might encounter discounts, taxes, and tips? How do you typically handle these situations?
3. Can you think of a situation where a discount or tip might not be as straight forward as the examples provided in this activity?
4. How would you approach calculating the final cost in such a scenario?
5. How do you think understanding discounts, taxes, and tips can help you make more informed financial decisions in your daily life?

Key Takeaways

- **Discount** = multiply the rate (as a decimal) by the original price, and then subtract the result from the original price to get the sale price.
- **Tax** = multiply the rate (as a decimal) by the original price, and then add the result to the original price to get the total cost.
- **Tip** = multiply the rate (as a decimal) by the original price, and then add the result to the original price to get the total cost.

Real World Problems Worksheet

Instructions

In this activity, you'll practice calculating discounts, sales tax, and tips in real-world scenarios. You'll learn how to accurately calculate the sale price of an item after a discount, the total cost of an item including sales tax, and the total amount paid for a service including a tip.

Discount

The amount saved and subtracted from the original price of an item to get the discounted price.

Procedure

1. The rate is usually given as a percent.
2. To find the discount, multiply the rate (as a decimal) by the original price.
3. To find the sale price, subtract the discount from the original price.

Example

In a video store, a DVD that sells for \$15 is marked, "10% off". What is the discount? What is the sale price of the DVD?

Solution: The rate is 10%. The discount is: $0.10 \times \$15.00 = \1.50

The sale price is calculated as follows:

- \$15.00 original price
- (1.50) minus the discount
- \$13.50 sale price

Answer: The discount is \$1.50 and the sale price is \$13.50.

Questions

1. In a department store, a \$40 dress is marked, "Save 25%." What is the discount? What is the sale price of the dress?
2. In a grocery store, a \$12 case of soda is labeled, "Get a 20% discount." What is the discount? What is the sale price of the case of soda?
3. In a candy store, a \$5.00 jar of candy is labeled, "50% off." What is the discount? What is the sale price of the jar of candy?
4. In a bicycle store, a \$500 bicycle is marked, "Get a 30% discount." What is the sale price of the bicycle?

Sales Tax

A tax on a transaction that is paid to the retailer. You need to add the sales tax to the price of the item to find the total amount paid for the item.

Procedure

1. The rate is usually given as a percent.
2. To find the tax, multiply the rate (as a decimal) by the original price.
3. To find the total cost, add the tax to the original price.

Questions

5. If the sales tax rate is 7.25% in California, then how much would you pay in Los Angeles for a pair of shoes that cost \$39.00?
6. The price of a new car is \$29,990. If the sales tax rate is 6.5%, then how much sales tax is being charged? What is the total cost for the car including tax?
7. If the sales tax rate is 7.375% in New York State, then how much sales tax would you pay in Albany for a \$34 pair of pants?
8. At Best Buy they have a 42" TV that sells for \$1,250 and is on sale 15% and has a sales tax of 6.5%. What is the final cost? (hint: calculate the discount first and then the tax).

Tip

An additional amount paid to a person in the service industry for a service provided such as a server at a restaurant or a worker at a salon.

Procedure

1. The rate is usually given as a percent.
2. To find the tip, multiply the rate (as a decimal) by the original price.
3. To find the total cost, add the tip to the original price.

Questions

9. The Smith family went to eat at Buffalo Wild Wings. The bill was \$43.86. They gave the server a 15% tip. What is the cost of the tip? How much did they pay altogether?
10. Joe and three friends went to Texas Roadhouse for dinner. The total bill was \$76.25. They left the server a 20% tip. How much was the tip? What was the total bill? How much should each person pay?
11. If you go out to eat with 3 friends and your meal was \$72.50, there is a 6.75% sales tax, and you should tip the waiter 15%. How much should each person pay?

Answer Key

1. Discount = \$10, Sales Price = \$30
2. Discount = \$2.40, Sales Price = \$9.60
3. Discount = \$2.50, Sales Price = \$2.50
4. Discount = \$150, Sales Price = \$350
5. Total = \$41.83
6. Sales Tax = \$1,949.35, Total Cost = \$31,939.35
7. Sales Tax = \$2.51
8. Final Cost = \$1,131.56
9. Tip = \$6.58, Total = \$50.44
10. Tip = \$15.25, Total = \$91.50, Per Person (4)= \$22.88
11. Per Person (4)= \$22.25

Full Class Activity

Full Class Activities are designed for whole-class participation. These are best used along with the direct instruction portion of the lesson.

Full Class Activities Include:

5. Calculating Sales Tax.....**Time:** 10 Minutes



5. Calculating Sales Tax

In this full class activity, you will lead a discussion about what sales tax is and how to find it.

Time: 10 Minutes

Required Resources: Whiteboard or blackboard

Type:  Full Class Activity  Class Discussion

Instructions

- Explain to students that “Sales Tax” is a tax that is charged on goods sold to end customers.
- The Sales Tax is a set percentage of the price of the goods sold.
- Explain that most states have sales tax.
- Show them an example of a receipt and point out the line where the sales tax is shown.
- Explain that today they will be learning how to calculate sales tax.
- Go through one example as a class:
 - Sales tax of 4% on a \$45 bill
 - $0.04 \times 45 = 1.80$
 - $45 + 1.80 = \$46.80$

Questions

- 1.3% of \$60
- 2.2.7% of \$83
- 3.6% of \$1,782

Answers

- Sales Tax = \$1.80, Total = \$61.80
- Sales Tax = \$2.24, Total = \$85.24
- Sales Tax = \$106.92, Total = \$1,888.92

Discussion Question

- What are some common scenarios where calculating sales tax can be tricky, and how would you approach calculating the total cost in these situations? For example, what if you're shopping online and the sales tax rate varies depending on the state or region?
- What if you're buying a car and the sales tax rate is different from the rate for other purchases?

Key Takeaways

- Sales tax revenue is used to fund public projects and services, including roads, schools, and healthcare.
- Sales tax is often considered a more straight forward form of taxation, compared to income tax.
- Alaska, Delaware, Montana, New Hampshire, and Oregon, do not have a state sales tax.

Conclusion

Remind students that:

- **Sales Tax** is a tax that is charged on goods sold to end customers. The Sales Tax is a set percentage of the price of the goods sold.

Explain to them that it is important to know how to calculate it so that they can understand what they are truly paying for.