

Overview

In this lesson students will be learning about income tax and why certain states have an income tax. Students will be learning about taxes from the start to finish, from filling out tax forms to calculating what percentage will be taken out of their income.

Objectives

By the end of the lesson, students will:

- Understand that the federal government collects individual federal income tax to pay for government expenditures.
- Become aware of the individual income tax, the collection procedures, filing of returns, and some of the IRS forms used.
- Calculate individual federal income tax using different rates and structures.
- Improve their knowledge of the existing tax system.

Standards

Employment and Income

Standard 2. Compare sources of personal income and compensation.

Standard 3. Analyze factors that affect net income.

This listing is based on the JumpStart National Standards for Personal Finance. To see how this lesson aligns with other standards (including for your state), visit content.PersonalFinanceLab.com/Standards

Vocabulary

- **Income Tax:** tax levied by a government directly on income, especially an annual tax on personal income.
- **Deductible:** able to be deducted, especially from taxable income or tax to be paid.
- **Gross Income:** Your income before it is taxed
- **Net Income:** the gross income minus taxes and other deductions

Lesson Plan Includes

- | | |
|------------------------------|-------------------------------|
| □ Direct Instruction | □ Technology-Based Activities |
| □ Accompanying Presentations | □ Worksheets |
| □ Class Discussion | □ External |
| □ Individual Activities | □ Full Class Activities |
| □ In Class or Homework | |
| □ Assessments | |

Activity Summary

- Introduction
□ □ **Time:** 5 Minutes
- PFL Income Filing and the 1040 Lesson
□ □ □ □ □ □ **Time:** 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL When To Hire A Tax Professional Lesson
□ □ □ □ □ □ **Time:** 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL Tax Credits and Deductions Lesson
□ □ □ □ □ **Time:** 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL Basics of Payroll Accounting Lesson
□ □ □ □ □ □ **Time:** 15 Minutes
Requires: PFinLab Curriculum Site License, Computer Access
- PFL Budgeting Game
□ □ □ □ □ **Time:** 20 Minutes
Requires: Computer Access
- Income Tax Activity
□ □ □ □ □ **Time:** 10 Minutes
Requires: Worksheet
- Filling Out Forms
□ □ □ □ **Time:** 10 Minutes **Requires:** Worksheet
- Teacher Led Discussion
□ □ □ **Time:** 10 Minutes

Instructor's Guide

Introduction

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

Explain:

Income tax: Is a tax levied by a government directly on income, especially an annual tax on personal income.

Show students a blank W 4 and ask them if they know what the purpose of the form is?

Explain that the form is a W4 and it is a way for the government to track your employment history in order to tax your income.

Explain that not all states have income tax and tell students whether or not your state has income tax.

Time:

5 Minutes

Type:

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Required Resources:

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.

[PFinLab Income Tax Filing and the 1040 Lesson](#)

Assign your students the “Tax Filing and the Form 1040” lesson on PersonalFinanceLab.com. This lesson introduces the term income tax to students and how it is used in the workplace. The article also goes into detail about the different forms that are necessary involving income tax and how to fill them out.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- What are the different forms involved with income tax?
- Who pays income tax?
- What is a tax return?
- Do we have an income tax in our state?

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)
[Filing Taxes and 1040 EZ \(personalfinancelab.com\)](#)

Accompanying Presentation:

[Income Tax Filing and the 1040 Presentation - Personal Finance Lab](#)

Time:

15 Minutes

Type:

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Required Resources:

- PFinLab Curriculum
- Computer Access

Instructor's Guide

PFinLab When To Hire A Tax Professional

Assign your students the "When To Hire A Tax Professional" lesson on PersonalFinanceLab.com. This lesson discusses when it is appropriate for people to file taxes themselves, and when it makes more sense to hire an accountant.

There is also an additional lesson on "Tax Audits" also available as a supplement.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

[Tax Professional \(personalfinancelab.com\)](https://personalfinancelab.com)

Supplement Lesson on Audits:

[Audits \(personalfinancelab.com\)](https://personalfinancelab.com)

Accompanying Presentation:

[Income Tax Filing and the 1040 Presentation - Personal Finance Lab](#)

Open-Ended Challenge Questions:

- Why do taxes exist?
- In your opinion, what are the advantages and disadvantages of hiring a tax professional?
- List 3 tax forms mentioned in this article.
- The IRS holds about \$1 billion each year in unclaimed refundable tax credits. What does this mean?
- What is a tax audit?
- What is an auditor?
- How are tax returns audited?
- In your opinion, should your taxes be audited?

Time:

15 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

Instructor's Guide

PFinLab Tax Credits and Deductions Lesson

Assign your students the "Common Tax Deductions" lesson on PersonalFinanceLab.com. This lesson discusses the most common types of tax deductions that every taxpayer should be familiar with.

There is also an additional lesson on "Common Tax Additions" also available as a supplement.

They will be required to complete the quiz at the end as an assessment. Both lessons also include additional challenge questions for written responses, or a launching point for class discussion.

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

[Tax Credits and Deductions \(personalfinancelab.com\)](https://personalfinancelab.com)

Supplement Lesson on Audits:

[Tax Additions \(personalfinancelab.com\)](https://personalfinancelab.com)

Open-Ended Challenge Questions:

- What other items, other than your initial income from your paycheck can be taxed?
- What is a W-2 or 1099?
- In your opinion, should people pay taxes. If so, why. If not, why not?
- Using examples, explain what Capital gains is.

Time:

15 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

Instructor's Guide

PFinLab Basics of Payroll Accounting Lesson

Assign your students the "Payroll Best Practices" lesson on PersonalFinanceLab.com. This lesson breaks down the different types of taxes that are involved with people who are both employed and unemployed.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- What are the reasons that people pay taxes?
- What benefits do you get from paying taxes on your income?

Resource Links:

Lesson Content (Included in the Assignment on PersonalFinanceLab.com)

[Payroll Accounting \(personalfinancelab.com\)](https://personalfinancelab.com)

Accompanying Presentation:

[Basics Of Payroll Accounting Presentation - Personal Finance Lab](#)

Time:

15 Minutes

Type:



Required Resources:

- PFinLab Curriculum
- Computer Access

PFinLab Budgeting Game

Have your students complete one month of the Budgeting Game. With every paycheck, students will have income tax deducted, which they will see on their pay stub.

Ask students to identify the different taxes and withholdings on their paycheck, and identify which items can potentially be refunded.

Discussion Questions:

- Which items on your pay stub could be refunded? Which are not?
- Based on the amount of income you expect to earn in a full year of the budgeting game, would you expect a tax refund in the real world?
- How much tax would your employer also be paying, which is not listed on your paycheck?

Resource Links:

[Budget Game \(personalfinancelab.com\)](https://personalfinancelab.com)

Time:

20 Minutes

Type:



Required Resources:

- PFinLab Budget Game License
- Computer Access

Instructor's Guide

Income Tax Activity

In this activity, students will be learning how different tax effect the amount of money they bring home. Students will see an example and then calculate the taxes based off of someone's income.

Resource Links:

[Income Tax Activity \(weebly.com\)](http://www.weebly.com)

Time:

10 Minutes

Type:



Required Resources:

- Worksheet

Full Class Activities

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

Filling out Forms

In this activity students will be filling out actual tax forms with their own information. This will prepare them for when they need to fill out the information when they are actually filling it out in real life situations.

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- Print out tax forms.
- Fill out an example for the class.
- Have students fill out their own forms.
- Have students check with a partner to see if they filled it out correctly.

Resource Link:

<https://www.irs.gov/forms-instructions>

Time:

15 Minutes

Type:



Required Resources:

- Worksheet

Instructor's Guide

Teacher Led Discussion

In this activity, the teacher will be asking various questions that are more revolved around the math and numbers involved with payroll and taxation.

Ask each question and then have students write their answers on a whiteboard or sheet of paper and hold it up.

Have one student explain how they got their answer.

- If pay increases from \$9.50 to \$10 per hour and you work 8 hours a day, 5 days a week.
 - What would your Gross Pay be for that week?
- What would be the total amount if you worked for a month (4 weeks)
- If you took 30% as tax and other expenses, what would your Net Pay be for the month?
- If an employer has 5 employees on payroll and each employee is paid \$9.50 per hour. How much must the employer pay per hour in total to his employees.
- When the minimum wage rises to \$10 per hour, how much must the employer now pay per hour in total to his employees
- Using your calculations, calculate the weekly cost (40 hours) that the employer would pay based on \$9.50 and \$10 per hour.
- How much more would the employer have to pay when the minimum wage went from \$9.50 to \$10.

At the end of the activity ask your students if they have any questions.

Time:
15 Minutes

Type:



Required Resources:

- Worksheet

Conclusion

Remind students that:

- Income tax is a tax levied by a government directly on income, especially an annual tax on personal income.

Explain to students that the reason that we have income tax is to provide different benefits to people around the country.

Remind students whether or not there is an income tax in your state.