

## 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](http://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 Resources          |
|  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 Basics of Payroll Accounting Lesson  
     **Time:** 15 Minutes  
**Requires:** PFinLab Curriculum Site License, Computer Access
- Taxation Simulation  
     **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  
**Requires:** Worksheet

# 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:**



**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 “Income Tax Filing and the 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)

<https://content.personalfinancelab.com/finance-knowledge/personal-finance/income-tax-filing-and-the-1040-ez/>

**Accompanying Presentation:**

<https://content.personalfinancelab.com/presentations/income-tax-filing-and-the-1040-presentation/>

**Time:**

15 Minutes

**Type:**



**Required Resources:**

- PFinLab Curriculum
- Computer Access

# Instructor's Guide

## PFinLab Basics of Payroll Accounting Lesson

Assign your students the "Basics of Payroll Accounting" 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)

<https://content.personalfinancelab.com/finance-knowledge/accounting/basics-of-payroll-accounting/>

### Accompanying Presentation:

<https://content.personalfinancelab.com/presentations/basics-of-payroll-accounting-presentation/>

### Time:

15 Minutes

### Type:



### Required Resources:

- PFinLab Curriculum
- Computer Access

## Taxation Simulation

In this activity, students will be reading different peoples bio and tax forms. The students will be identifying if the information is correct and also be answering questions about the tax forms.

- Assign the class one person to simulate.
- Have the students complete this person's simulation.
- Allow students to complete one other person on their own.
- Follow up with discussion questions.

### Discussion Questions:

- What are some similarities from the different people?
- Do you know where to find this information about yourself?
- How often do you have to fill out these forms?
- What is the result of filling out these forms?

### Resource Links:

<https://apps.irs.gov/app/understandingTaxes/student/simulations.jsp>

### Time:

20 Minutes

### Type:



### Required Resources:

- 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:**

[https://app\\_usa\\_prod\\_eqffnyamdzrb.s3.amazonaws.com/Income\\_Tax\\_Activity\\_0.pdf](https://app_usa_prod_eqffnyamdzrb.s3.amazonaws.com/Income_Tax_Activity_0.pdf)

**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.

## Filing 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.