

Assessment

Theme 3: Fairness in Taxes
Lesson 3: Progressive Taxes

Part 1

Match the descriptions below to the correct terms found in the answer key. Write the letter of each term in the space provided.

Answer Key:

- A. progressive tax
- B. increases
- C. inheritance
- D. federal income tax
- E. higher

- _____ A progressive tax is a tax whose rate _____ as the amount being taxed increases.
- _____ This is a progressive tax that people pay the federal government on their income.
- _____ In a progressive tax system, the higher your income, the _____ the amount of tax you pay.
- _____ The progressive principle also may be used for this kind of taxes.
- _____ Many states use a _____ to tax the income of their residents.

Part 2

Indicate whether each of the following statements below is True or False. Write your answer in the space provided.

1. A progressive tax takes a smaller share of income from low-income groups than from high-income groups. _____
2. Progressive taxes include fixed amounts of tax on each individual or household. _____
3. In the United States, tax rates on income ranged from 10 percent to 39.6 percent. _____

4. Inheritance taxes tend to be progressive because they take a smaller percentage from larger amounts of inheritance. _____
5. A person's tax bracket depends on that person's earnings. _____

Part 3

Answer the following multiple-choice questions. Write the letter of the response that best answers each question in the space provided.

- _____ 1. A progressive tax takes the largest percentage of income from which group?
 - A. middle-income
 - B. low-income
 - C. high-income
 - D. people with no income

- _____ 2. Which is not an example of a commonly used progressive tax?
 - A. an inheritance tax
 - B. a state drivers' license fee
 - C. the federal income tax
 - D. a state's income tax

- _____ 3. Why do federal income tax rates not go above 40 percent?
 - A. Such high rates could hurt our economy.
 - B. Some people would find it hard to stay in business.
 - C. Lower-income people would lose jobs as businesses closed.
 - D. All of the above.

- _____ 4. Which of the following is an example of a progressive tax?
 - A. Low-income pays 10%, middle-income pays 15%, and high-income pays 30%.
 - B. Low-income pays 15%, middle-income pays 15%, and high-income pays 15%.
 - C. Low-income pays 15%, middle-income pays 5%, and high-income pays 39.6%.
 - D. Low-income pays 10%, middle-income pays 5%, and high-income pays 3%.

- _____ 5. The United States uses a progressive income tax
 - A. because it raises a larger amount of money by taking more from high-income levels.
 - B. because it is most fair to all groups.
 - C. because it helps distribute the wealth.
 - D. All of the above.