

# Assessment Solutions

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Theme 4: What Is Taxed and Why  
Lesson 4: Direct and Indirect Taxes

## *Part 1*

Match the descriptions to their correct key terms. Write the letters of the correct key terms on the lines provided.

### ***Answer Key:***

- A. sales tax
- B. business
- C. individual
- D. direct
- E. indirect

- C** 1. Personal income tax is paid by this type of income earner
- D** 2. A tax which cannot be shifted
- B** 3. To recover an increase in its taxes, this type of taxpayer may increase its prices to its customers
- E** 4. A tax which can be passed on to another
- A** 5. Stores often pass along the cost of this type of state and local tax

## *Part 2*

Indicate whether each of the statements below is True or False. Write *true* if the statement is true. Write *false* if the statement is false. Write your answers in the space provided.

- 1. A direct tax cannot be shifted to another. **True**
- 2. Individual income tax is an example of a direct tax. **True**
- 3. To recover business taxes, an owner cannot pass along the charges.

**False**

4. Consumers often pay some or all business taxes when they purchase goods and services. **True**
5. Ultimately, only a business owner pays the cost of business property tax. **False**

### *Part 3*

Classify each tax below as either Direct or Indirect. Write the letter of the correct choice in the space provided.

- B** 1. Sales tax  
A. direct tax  
B. indirect tax
- A** 2. Personal income tax  
A. direct tax  
B. indirect tax
- A** 3. Personal property tax  
A. direct tax  
B. indirect tax
- B** 4. Business property tax  
A. direct tax  
B. indirect tax
- B** 5. Payroll tax  
A. direct tax  
B. indirect tax