

Assessment Solutions

Theme 5: Impact of Taxes
Lesson 1: How Taxes Influence Behavior

Part 1

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

Answer Key:

- A. user tax
- B. excise tax
- C. sin tax
- D. gasoline excise tax
- E. luxury tax

- A** A tax that is paid to the government by consumers when they purchase particular goods.
- C** The point of this is to discourage the purchase of goods that do not promote consumers' health.
- E** This is placed on goods that are expensive and considered nonessential.
- B** The purpose of this is to make consumers pay the price of manufacturing and distribution of certain products.
- D** This has generated millions for road repair for more than sixty years.

Part 2

In the space provided, identify the tax that could cause the behaviors described below.

1. You take the bus to work. **gasoline excise tax**
2. You stop smoking. **sin tax**
3. You drink only nonalcoholic beverages. **sin tax**
4. You put off buying a new sports car until next year. **luxury tax**
5. You join a car pool. **gasoline excise tax**

Part 3

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

1. The sin tax is older than the United States itself. **True**
2. The luxury tax can discourage the use of alcohol and cigarettes. **False**
3. Revenue from the gasoline excise tax is used to build oil refineries. **False**
4. The telephone and chewing gum were once taxed as luxury items. **True**
5. Luxury taxes are placed on expensive, nonessential goods. **True**