

Assessment Solutions

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

- B** A progressive tax is a tax whose rate _____ as the amount being taxed increases.
- D** This is a progressive tax that people pay the federal government on their income.
- E** In a progressive tax system, the higher your income, the _____ the amount of tax you pay.
- C** The progressive principle also may be used for this kind of taxes.
- A** 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. **True**
2. Progressive taxes include fixed amounts of tax on each individual or household. **False**
3. In the United States, tax rates on income ranged from 10 percent to 39.6 percent. **True**

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

Part 3

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

- C** 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
- B** 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
- D** 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.
- A** 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%.
- D** 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.