

# Teacher Lesson Plan

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Theme 3: Fairness in Taxes  
Lesson 4: Proportional Taxes

## Time Frame

One to three hours

## Curriculum Area(s)

- Civics/Government
- Economics
- Technology

## Purpose

To help students understand that proportional taxes can have different effects on different income groups

## Objectives

Students will be able to

- define and give an example of a proportional tax.
- explain how a proportional income tax takes the same percentage of income from all income groups.

## Materials

### *Online*

[Student Lesson—Proportional Taxes](#)

[Activity 1: Proportional Taxes and You](#)

[Activity 2: Comparing State and Local Retail Sales Taxes](#)

[Assessment—Proportional Taxes](#)

[Assessment Solutions—Proportional Taxes](#)

### *Print (PDF)*

[Info Sheet 1—How Proportional Taxes Affect Different Income Levels](#)

[Info Sheet 2—Tax Ideas](#)

[Worksheet—Applying Proportional Taxes](#)

[Worksheet Solutions—Applying Proportional Taxes](#)

[Assessment—Proportional Taxes](#)

[Assessment Solutions—Proportional Taxes](#)

[Complete Lesson Pack](#)

### *Web Links*

The National Sales Tax Proposal <http://en.wikipedia.org/wiki/FairTax>

Comparison of State and Local Retail Sales Taxes:

[http://www.taxpolicycenter.org/taxfacts/Content/PDF/state\\_local\\_sales\\_tax.pdf](http://www.taxpolicycenter.org/taxfacts/Content/PDF/state_local_sales_tax.pdf)

## Background

A **proportional tax**, or **flat tax**, is a tax in which all income levels are taxed at the same rate. Like **regressive taxes**, proportional taxes may at first glance appear equitable, but they are usually considered unfair because they have a regressive effect on the taxpayer's total income. **Sales taxes** and real estate taxes are examples of proportional taxes.

## Key Terms

**flat tax**—Another term for a proportional tax.

**proportional tax**—A tax that takes the same percentage of income from all income groups.

**regressive tax**—A tax that takes a larger percentage of income from low-income groups than from high-income groups.

**sales tax**—A tax on retail products based on a set percentage of retail cost.

## Opening the Lesson

Print and distribute [Info Sheet 1—How Proportional Taxes Affect Different Income Levels](#). Tell students that they represent all the taxpayers of a country called Proportionalia. Organize students into three groups representing low-, middle-, and high-income levels. Write \$10,000 on the board and assign one group that amount as an average income. Then, write \$50,000 on the board, and tell the second group that they make about \$50,000 a year. Finally, write \$100,000 on the board and tell the third group that they represent the country's high-income taxpayers.

Discuss with students the fairness of the taxes to taxpayers in their income level. Have them consider the amount of taxes being paid by the other groups as well. Ask students to tell how the proportional principle has a regressive effect on lower-income groups.

If the class has completed Lesson 2, Regressive Taxes and Lesson 3, Progressive Taxes, have students tell how the amount of their income taxes, as shown on this Info Sheet, differs from the amounts they paid as citizens of Regressia and Progressia. Ask students whether the income taxes seemed fairest in Regressia, Progressia, or Proportionalia.

## Developing the Lesson

Invite students to suggest other flat tax rates that could replace the 15 percent shown on the Info Sheet. Help students determine how much the three groups would pay by using the following formula:  $\text{Income} \times \text{rate (percent)} = \text{amount of tax}$ . For example,  $\$50,000 \times 20\% (.20) = \$10,000$ . Using the Info Sheet chart as a model, write on the board the new taxes paid, according to students' suggested tax rates. Remind students that, though they may experiment with the tax rate as they wish, the rate must be the same for all income levels to keep the tax proportional. As students work out their suggested tax rates, ask how each would affect the three income groups.

1. Which income level does a higher flat tax rate, such as 25 percent, affect the most?

**Answers will vary. The tax has a regressive effect on lower income taxpayers, yet higher income taxpayers will pay more money.**

2. Would a low flat tax rate, such as 5 percent, raise enough money to cover the nation's needs?

**Answers will vary, but most students will probably say that a 5 percent rate is not high enough.**

### ***Online Activities***

Direct students to Student Lesson—Proportional Taxes.

Have students complete one or more of the following activities:

- Activity 1: Proportional Taxes and You—Find out how income is affected in a proportional tax system.
- Activity 2: Comparing State and Local Retail Sales Taxes—Learn more about state and local sales tax.

### ***Print Activity***

Print Worksheet—Applying Proportional Taxes and distribute it to students.

Worksheet Solutions—Applying Proportional Taxes

### ***Classroom Activity***

Organize students into three groups to research and debate whether the existing progressive federal income tax should be replaced with a proportional tax.

Direct students in Group One to The National Sales Tax Proposal

<http://en.wikipedia.org/wiki/FairTax> or Info Sheet 2—Tax Ideas to learn about the national sales tax proposal. Have students use this information to represent the proportional national sales tax in the class debate. Should a national sales tax replace the federal income tax?

Direct students in Group Two to Info Sheet 2—Tax Ideas to learn about the Armey-Shelby flat tax proposal, which would eliminate all tax deductions and lower the annual tax rate to a flat 17 percent. Have students use the information to represent the flat tax in the class debate.

Direct students in Group Three to prepare to defend the existing progressive system of income tax, which is used today not only by the United States but also by most countries that tax personal income. Have students use Theme 3, Lesson 3 Info Sheet—Progressive Taxes for source material.

## **Concluding the Lesson**

At the end of the debate, after students have had a chance to weigh all the information, have them vote for the tax system they think would be most fair to all citizens: the national sales tax, the Arney-Shelby flat tax, or the progressive income tax we now have.

### ***Online Assessment***

Direct students to complete [Assessment—Proportional Taxes](#) for this lesson.  
[Assessment Solutions—Proportional Taxes](#)

### ***Print Assessment***

Print [Assessment—Proportional Taxes](#) and have students complete it on paper.  
[Assessment Solutions—Proportional Taxes](#)

### ***Links***

Go to [Theme 3, Lesson 5](#) to compare progressive, regressive, and proportional tax systems.