

Assessment Solutions

Theme 4: What Is Taxed and Why
Lesson 2: Taxes in a Market Economy

Part 1

Match the clues with the correct term. Write the letters of the correct terms on the lines provided.

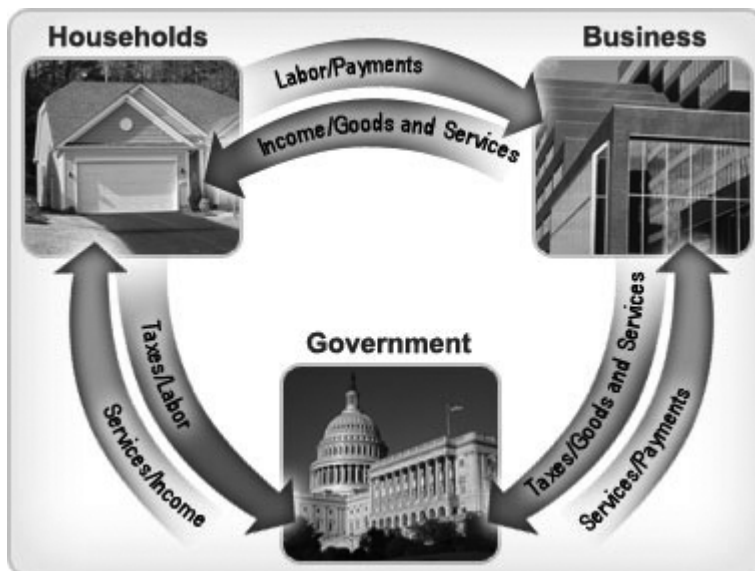
Answer Key:

- A. businesses
- B. increases
- C. households
- D. decreases
- E. government

- E 1. Who relies on tax revenue from the market economy?
- C 2. Who do businesses provide jobs and income for in exchange for labor?
- A 3. In addition to households, this group also is required to pay income taxes.
- B 4. What generally happens to income tax revenue when incomes go up?
- D 5. What happens to sales tax revenues when consumers purchase less?

Part 2

Complete the circular flow model shown below by filling in the blanks.



Part 3

Match each item below with the sector it best describes. Write the letters of the correct sectors on the lines provided. Sectors can be used more than once.

Answer Key:

A. business

B. government

C. household

C 1. Earns income and purchases goods and services

B 2. Provides services and collects taxes

B 3. Collects taxes and uses labor

C 4. Supplies labor and makes payments

A 5. Pays taxes and provides goods and services