

# Assessment

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.

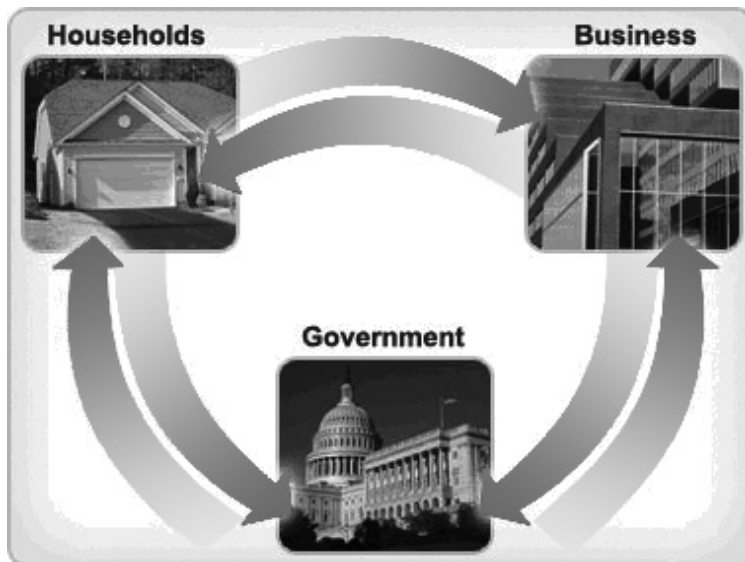
**Answer Key:**

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

- \_\_\_\_\_ 1. Who relies on tax revenue from the market economy?
- \_\_\_\_\_ 2. Who do businesses provide jobs and income for in exchange for labor?
- \_\_\_\_\_ 3. In addition to households, this group also is required to pay income taxes.
- \_\_\_\_\_ 4. What generally happens to income tax revenue when incomes go up?
- \_\_\_\_\_ 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

\_\_\_\_\_ 1. Earns income and purchases goods and services

\_\_\_\_\_ 2. Provides services and collects taxes

\_\_\_\_\_ 3. Collects taxes and uses labor

\_\_\_\_\_ 4. Supplies labor and makes payments

\_\_\_\_\_ 5. Pays taxes and provides goods and services