Assessment

Theme 4: What Is Taxed and Why
Lesson 4: Direct and Indirect Taxes

Part 1

Match the descriptions to their correct key terms. Write the letters of the correct key terms on the lines provided.

**Answer Key:**
A. sales tax
B. business
C. individual
D. direct
E. indirect

____ 1. Personal income tax is paid by this type of income earner
____ 2. A tax which cannot be shifted
____ 3. To recover an increase in its taxes, this type of taxpayer may increase its prices to its customers
____ 4. A tax which can be passed on to another
____ 5. Stores often pass along the cost of this type of state and local tax

Part 2

Indicate whether each of the statements below is True or False. Write true if the statement is true. Write false if the statement is false. Write your answers in the space provided.

1. A direct tax cannot be shifted to another. __________
2. Individual income tax is an example of a direct tax. __________
3. To recover business taxes, an owner cannot pass along the charges. __________
4. Consumers often pay some or all business taxes when they purchase goods and services. _________

5. Ultimately, only a business owner pays the cost of business property tax. _________

Part 3

Classify each tax below as either Direct or Indirect. Write the letter of the correct choice in the space provided.

____ 1. Sales tax
   A. direct tax
   B. indirect tax

____ 2. Personal income tax
   A. direct tax
   B. indirect tax

____ 3. Personal property tax
   A. direct tax
   B. indirect tax

____ 4. Business property tax
   A. direct tax
   B. indirect tax

____ 5. Payroll tax
   A. direct tax
   B. indirect tax