



BIZ KID\$

Episode 401: "A World Without Taxes"

Episode Synopsis

Explore how taxes impact your life. Find out about the importance of federal, state, and local taxes and learn what they pay for. Meet young business owners who sell lacrosse sox and others who serve as swimming instructors and hear how they handle their taxes.

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Biz Kid\$ Curriculum Package #401



Episode 401: "A World Without Taxes"

Biz Terms

- | | |
|----------------------|--------------------|
| 1. balance sheet | 12. royalty checks |
| 2. civilized society | 13. sales tax |
| 3. extorted | 14. self-employed |
| 4. gross pay | 15. utility tax |
| 5. income tax | 16. wholesale |
| 6. "IRS" | |
| 7. net pay | |
| 8. percentage | |
| 9. property tax | |
| 10. retail | |
| 11. revenue | |

TAX FORMS:

- W-2
- W-4
- 1040
- 1040 EZ
- 1099

Suggestions for using Biz Terms include:

- Have students research and write dictionary definitions.
- Discuss the use of these terms in the episode of Biz Kid\$.
- Have students construct sentences, write personal financial goals, create a financial journal entry, or a math word problem.
- Have students write paragraphs, stories, dialogs, "raps", or lyrics.



Episode 401: "A World Without Taxes"

Equipment/Materials/Prep needed:

Day One and Day Two:

- TV or projection system
- DVD Player
- DVD of Episode 401
- Paper, pens, and/or pencils for each student
- Chalkboard and chalk OR Dry-Erase Board and Dry-Erase markers OR Large chart paper and a set of colored markers for the teacher.

Day Two only:

- Student copies of the "Biz Terms" Sheet
- Student copies of the "Family Activity Sheet"

Preparation to be done prior to session:

- Check to be sure needed equipment is available and operational prior to the sessions.
- Gather listed materials.
- Make an appropriate number of copies of the "Biz Terms" Sheet and the "Family Activity Sheet".



Episode 401 "A World Without Taxes"

Day One Previewing Questions:

- Where do we get the money to pay for schools, hospitals, police, firefighters...?
- Have you wondered what all the talk is about taxes?
- What is the tax rate for purchases where you live?
- What's the big deal about the date April 15th?

Today's episode of "Biz Kid\$", "A World Without Taxes", will help you understand the reasons for taxes, who pays them, and who benefits from them. Let's watch the episode together.

Show Episode 401: "A World Without Taxes"

Class Discussion:

- What did you learn from Episode 401 that was new information?
- How do you view taxes now?
- Which tax benefits would you eliminate and why?



Episode 401: "A World Without Taxes"

Day Two

Review and Connect with the Previous Session

Oliver Wendell Holmes was quoted as having said, "Taxes are what we pay for a civilized society."

In Episode 401, we also heard that taxes have a bad reputation, yet they pay for things that are important.

What do you think is meant by the term "civilized society"?

What would an "uncivilized society" be like?

(Allow all students who wish to volunteer an answer to respond.)

In Episode 401, we were introduced to swim teachers and lifeguards Nicole and Steven.

Tyler, another young entrepreneur, makes art, and works as a free-lance glassblower for other artists.

Olivia and Isabella have a web cast, www.Spatulatta.com, that teaches children how to cook. They also created a cook book.

Riley and Jake started a business at the end of high school designing crew socks.



Sky is a self-employed professional skater with a CPA for financial advice.

All of these young entrepreneurs related how important it is to prepare for paying taxes, and to pay them on time. Successful entrepreneurs receive the profit that remains after they pay taxes and all other costs associated with the business.

Governments provide goods and services that are paid for with tax receipts. Let's list some of the things mentioned in Episode 401 that are paid for by taxes. Call on student volunteers for answers. (Record students' responses on an overhead projector, chart, or by using other technology for their continued reference.)

The list may include some of the following:

- Public schools
- National defense
- Highways
- Post offices
- Parks
- Bridges
- Sidewalks and roads
- Libraries
- Military
- Sewer systems
- Hospitals
- Prisons
- Auto safety testing
- Space exploration
- Emergency Medical Services (EMS) system
- Medicare
- Social Security



- Homeland Security
- Interest payments on the National Debt
- The 911 calling system
- Garbage pick-up
- Clean water
- Police
- Firefighters
- Teachers
- The arts
- Aid to poor and disabled people
- Disaster relief
- Airports
- Air traffic control systems
- Farm relief
- Safe and healthy environment
- Foreign aid
- Regulation of television

Taxes are used for the “greater good”; the benefits to society outweigh the costs to society. Not all individuals will bear the same costs or share the same benefits.

All of the entrepreneurs featured on today’s episode of “Biz Kid\$” pay taxes.

There are federal and state income taxes, property taxes, utility taxes, local taxes and others. (There are several states that currently do not charge state income taxes.)

1. What is the difference in these types of taxes?

(Keep the answers appropriate to the age of your students.)



2. Would an elementary student pay any of these taxes? If so, which would it be? (They would probably pay sales taxes on their purchases.)
3. Does anyone know the local sales tax rate for this community?
4. How could you get that information?

Nicole and Steven, the pool lifeguards, said that a tax form that you get from your employer when you are hired is called a **W-4 Form**. You work for someone who deducts taxes from your earnings. It tells how much in taxes is taken out of your paycheck. Deductions include Medicare and Social Security.

The **W-2 Form** tells you the total amount you made for the year, and the amount of taxes that were withheld. You also get this tax form from your employer. You need this information to file your federal and state taxes.

There is also a version of the tax form called the **1040 Schedule C**. If you are self-employed, your own boss, you pay taxes quarterly, deducting business expenses. This form asks only three questions:

- What was your income?
- Have you paid any money to the IRS already?
- Do you owe money or will you receive a refund?

Isabella and Olivia use this form in their business.

Tyler, the glassblower, puts money aside for taxes in a separate account, and uses a tax form called a **1099**. Since he works for many other glass blowers as a free-lancer, they send him the **1099** tax forms. It's his job to record all the information, keeping track of all receipts for documentation purposes. He uses an online web site like "Turbo Tax" to help him figure out his paperwork.



The **IRS** or **Internal Revenue Service** is a government bureau that collects taxes and enforces tax codes. Their main source of revenue is a tax on earnings. They collect about two trillion dollars annually.

Riley and Jake, the sock designers, called the IRS help line and used their web site to help them understand how to keep accurate records, and so forth. It is important to keep track of expenses and save receipts in order to deduct those expenses related to business, such as travel costs for plane fare, food, hotel expenses, and so forth.

As Riley and Jake said, "To play the game of business, you've got to pay your taxes!"

What's the big deal about April 15th? Tax Day is usually April 15th, unless that date falls on a weekend. Then Tax Day is the following Monday.

Sky, the self-employed professional skater, earned his first pay check when he was nine! He opened a business account when he was twelve. His Mom helped him learn about taxes, and introduced him to Jim, his CPA or Certified Public Accountant. Better record keeping means better tax planning!

Taxes are inevitable, required, mandatory...but remember, they pay for things we need and want in a civilized society!!!

Activity Suggestions:

Referencing the list of benefits taxes provide, have the class divide the benefits into three groups on large chart paper:

- 1. Local Benefits**
- 2. State Benefits**
- 3. National Benefits**

(Students may disagree on a category or there may be benefits that overlap and fit more than one chart...that's OK!)



Ask students to identify, on individual papers, the specific tax-supported things they personally use or benefit from. Then have the class share if there is time.

Have students do research and compare the various sources of state and local revenues and various categories of state and local expenditures in their state and community with those of the U.S. Federal Government.

Activity Suggested:

1. Class Debate

Next, Pick an equal number of teams of 4 students each.

Have teams debate the following questions:

- Which benefits they would cut in tough economic times, why they would cut those specific benefits, and how it would impact lives.
- If the national, state, and local governments had no power to tax, what goods and services would we have to do without?
- Why state and local governments use public money for elementary education.
- Discuss the costs and benefits of public education and identify who gains and who bears the costs.
- Could it be considered a privilege to pay taxes? Why or why not?

Distribute the "**Family Activity Sheet**" and the "**Biz Terms**" Sheet for Episode 401 for distribution to all students to share with their families.



Episode 401 "A World Without Taxes"

Family Activity Sheet

Episode 401 Synopsis:

Explore how taxes impact your life. Find out about the importance of federal, state, and local taxes and learn what they pay for. Meet young business owners who sell lacrosse socks and others who serve as swimming instructors and hear how they handle taxes.

Family Activity Suggestions:

Students have learned basic information about taxes in this episode of "**Biz Kid\$**".

They were introduced to young entrepreneurs who shared their experiences regarding planning for and paying their taxes.

- Have a family discussion about taxes and how they impact your family specifically.
- Consider the benefits taxes provide, as well as the costs.
- Share with your student how you plan to meet your tax obligations, and the importance of filing your taxes on time.
- How do you organize your information for filing taxes?
- Do you use an online tax preparation program or work with a CPA?

*If possible show your student actual tax forms, such as a **1040** or your **W-2 Form**.*



Show your child/student the phone bill and/or the gas and electric bill, pointing out the taxes listed on the bills. Help them find the local sales tax rate on a receipt for a purchase.

Research together how the tax rates are established.

**Explore some educational web sites together to learn more.
Suggestions include:**

www.irs.gov

www.nefe.org

www.Jumpstart.org

www.councilforeconed.org