

**Lesson Topic: Understanding Taxes**

**Supplies Needed:**

Large Sticky Note Pads

Markers

Laptops

Current W-4 Forms and 1040 Tax Forms

Paycheck Handout

**Concepts and/or Learning Objectives:**

* Explain the purpose of taxes
* How to fill out a W-4 form
* Explore how taxes impact a paycheck/Understand your paystub
* How to fill out a tax form

**Introduction:**

Most teens look at their first paycheck in confusion…“I worked 20 hours, my check should be a lot more than this!” Taxes and deductions – one of the realities of having a job. Taxes provide revenue for federal, state, and local governments for needed services and programs such as, police, libraries, and schools. Today, we’re going to break it down and maybe you’ll even look forward to April 15th.

**Activity:**

Investigate: What are taxes and where do they go? (15 minutes)

1. Ask students to share public services and programs. Write them on a board. (examples: National Defense, Fire Departments, Job Trainings, Rehabilitation Programs, Social Services, etc.)
2. Break in small groups and have them think about what activities they and their family members did the past 48 hours. Once they have a list, have them evaluate what public goods or services were used for each activity and list what resources from private sectors were shifted. (Example: Public School would include building, land, teachers, books, desks, electricity, and students.)
3. Explain to students that without taxes they would have more money, but the services that we use every day would not be available. Ask what the effects of this would be in our lives?

**Discussion Points/Reflection Questions:**

We’ve learned today that each of us as Americans has a financial responsibility to complete our taxes and help support our federal, state, and local government. Ask the teens how they would see their lives without the programs and places that are financed through taxes. How will paying taxes affect your budget?

“Taxes, after all, are dues that we pay for the privilege of membership in an organized society.” – Franklin D. Roosevelt

Student Preparation: Filling out a W-4 and reading your Paystub (15 minutes)

1. Pass a copy of a W-4 out to each teen. Explain to teens that anyone who has a job earning income is required to pay federal taxes. When you start a job, you will fill out a W-4 or Employee’s Withholding Certificate. The purpose is to tell your employer how much tax to withhold from each paycheck. Your employer will send the taxes withheld to the IRS.
2. We are going to walk through the form so you will better understand and will feel confident when filling out your first one. Explain each step on the form including that, because they are claimed as dependents on their parent’s taxes, they may skip steps 2-4.
3. Now have teens break into groups and have a laptop for each group. Have teens open <https://apps.irs.gov/app/understandingTaxes/student/simulations.jsp> and complete the “Lawrence Red Owl” simulation. Questions?
4. Pass out the “Your First Paycheck: Explained” handout. Ask how many of the teens have a job? What were their thoughts when they saw their first paycheck?
5. Walk through the Required Deductions on an employee’s paystub. Ask the teens if anything stands out to them when looking at the paystub. Does the paystub have anything on it that surprises them? Briefly go over the other deductions. Again, ask if there was anything that stood out or surprised them.

Challenge: It’s April 15th, are your Taxes turned in? (15 minutes)

1. Break into groups and have a laptop for each group to work on.

#### Every person who has a job is required to submit their taxes yearly by a deadline called Tax Day, which is almost always April 15th. When you complete your taxes, you will find out if you owe the IRS or if the IRS owes you a tax return. Let’s open the IRS website and complete a Tax Simulation. <https://apps.irs.gov/app/understandingTaxes/student/simulations.jsp>

1. Have them open the “Monica Lindo” simulation, a person filing her taxes as a dependent. Go through the simulation with their group. When they are all done, ask the teens what was complicated about filing Monica’s taxes? What was easy about filing Monica’s taxes?
2. The teens’ parents/guardians should check with their tax specialist to see if they have enough earned income to have to file their own taxes. The amount changes yearly, so be sure to check it out!

**Sources:**

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<https://www.themuse.com/advice/your-first-paycheck-explained>

nerdwallet.com, scholastic.com, Internal Revenue Service, and Forbes.