

# Teaching Tax for Literacy

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# Agenda

- Provide an overview of “tax.”
- Identify areas of tax that are most relevant and discuss learning activities.
- Discuss resources for research and application.

# Taxes

- What you earn
- What you buy
- What you own

# Taxes

- Federal and state income taxes
- Payroll tax
- Capital gains tax
- Sales and excise tax
- Property tax
- Wealth transfer tax

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# Resources

- <https://turbotax.everfi.com/tax-curriculum/>
- <https://www.irs.gov/>
- <https://revenue.iowa.gov/>
- <https://sites.google.com/view/incometaxspreadsheet/home/download>
- <https://taxfoundation.org/taxedu/>
- <https://www.ngpf.org/>

# Tax Research/Investigation

- Research: Investigate interesting state taxes.
- Research: Taxes by state (state tax maps: Tax Foundation).
- Research: Current events with 2017 TCJA, many additional changes. Taxes are going to be in the news! Practice paying attention and understand personal impact.
- Research: Deductibility of different types of interest (spoiler... credit card interest is N/D).
- Research: Find tax advice or a planning strategy on social media and determine if it is legitimate.
- History: Research the evolution of e-commerce and effect on sales tax (*South Dakota v. Wayfair*). Discuss the sales tax landscape, what is the future for emerging technology (digital content, digital assets, etc.).
- Data collection: Save receipts and calculate taxes paid by the class in a month.
- Connection: Speaker from local government talk about tax revenue and how spending is allocated.
- Connection: Talk to a small business owner about tax planning and how taxes impact profitability.



# Payroll tax

- Employee (W-2) vs independent contractor.
- Federal Insurance Contributions Act (FICA) – Social Security and Medicare.
  - Understand why and how these payments are being made.
    - Employee portion and employer portion.
      - Reduce take home pay.
      - Flat rate.
      - Employer submits on employee's behalf.
    - Self-employed (independent contractor) pays self-employment tax.
      - Estimated tax payments or an amount due when filing 1040.
      - Pays the employer and employee portion.
- Research: A project on the funding and eligibility of SS and Medicare.

# Income Tax

- Understand filing requirements.
  - <https://www.irs.gov/individuals/check-if-you-need-to-file-a-tax-return>
  - Gain familiarity with forms, instructions, and publications.
  - Don't forget state requirements.
  - Consider filing if federal or state withholding!
- Understand the dependency rules.
- PRACTICE!
  - <https://sites.google.com/view/incometaxspreadsheet/home/download>
  - Use ChatGPT/other AI to create taxpayer scenarios.
  - Complete a W-4 (federal and state) and show what this means for weekly pay and annual filing.
- VITA

# Income Tax

- Understand why we file (FEAR FACTOR).
  - Failure to file and failure to pay penalties.
  - Interest owed if underpaid.
  - Jail time!
  - Statute of limitations.
  - Search for failure to file tax court cases.
  - The IRS generally wins these cases.
- Tax scams
  - Protect personal information.
  - <https://www.irs.gov/newsroom/dirty-dozen>

# Tax Planning

- Traditional IRA vs ROTH IRA
  - Research the differences.
  - Limits change every year, understand why.
  - Tax Deductible (IRA).
  - Tax Deferred (both).
  - Tax Free distributions (ROTH).
  - Create an Excel model showing cash flow distributions.
  - Cross over with savings and investing conversations.

Thank you!  
Discussion

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