

# Three Basic Tax Types

# Worksheet (KEY)

Name: \_\_\_\_\_

Date: \_\_\_\_\_

1. Most taxes can be divided into three buckets: Taxes on what you EARN , taxes on what you BUY , and taxes on what you OWN .
2. Many individual income taxes are “progressive,” meaning tax rates (INCREASE | DECREASE ) as a taxpayer’s income (INCREASES | DECREASES ), resulting in (HIGHER | LOWER ) -earners paying a *larger share* of income taxes than ( HIGHER | LOWER )-earners.
3. TRUE | FALSE: While C corporations are required to pay the corporate income tax, the burden of the tax falls not only on the business but *also on its consumers and employees through higher prices and lower wages*.
4. TRUE | FALSE: The economic burden of payroll taxes is mostly borne by *employers*.
5. Gross receipts taxes (GRTs) are applied to A COMPANY’S GROSS SALES , regardless of profitability and without deductions for business expenses.
6. “Tax pyramiding” is when:  
**The tax burden multiplies throughout the production chain and is eventually passed on to consumers**
7. What consumption tax avoids tax pyramiding?  
**VALUE-ADDED TAX (VAT)**
8. Overall, taxes on real property are relatively STABLE , NEUTRAL , and TRANSPARENT , whereas taxes on tangible personal property are more problematic.
9. List two reasons most U.S. states have moved away from estate and inheritance taxes:
  - **poor economic policy**
  - **fall almost exclusively on a country or state’s “capital stock”**
  - **discourage investment**
  - **complexity**
  - **hard for jurisdictions to administer**
  - **can incentivize high-net-worth individuals to leave a state or country altogether**
10. Payroll taxes are paid by the EMPLOYER AND EMPLOYEE , but the economic burden falls mainly on the EMPLOYEE . Corporate Income Taxes (CIT) are levied on a business’ PROFITS.