



Financial Literacy Education Lesson Plan



Lesson 10: Paying Taxes

55 minutes¹

Domains

- Personal Income, Taxes and Services

Oregon High School Personal Financial Education Content Standards²

- **HS.PFE.D.2:** Understand the personal income tax filing cycle, including common tax forms and available tax preparation resources and options.
- **HS.PFE.D.3:** Understand taxes associated with various sources of income and common tax credits that could reduce individual tax liability.
- **HS.PFE.D.4:** Understand common types of federal, state, regional, and local taxes and associated tax-funded services provided.

Essential Questions

- How can I plan ahead for important tax deadlines throughout the year?
- How do tax forms like a W-2, 1040, and 1099 help me file my taxes?
- How do different types of income affect how much tax I pay?
- How do federal and state taxes affect me, businesses, and government services?
- How do local and regional taxes affect me, businesses, and my community?

Learning Targets

I can:

- Explain the basic tax filing process, from earning income to filing a tax return using forms like a W-2, 1040, and 1099.
- Describe how taxes affect my take-home pay and how different types of income can be taxed differently.

¹ This lesson is designed for approximately 55 minutes, but timing may vary based on student discussion, reflection, and engagement. Feel free to adjust the pacing or extend activities as needed.

² The Oregon High School Personal Financial Education Content Standards are located at:
https://www.oregon.gov/ode/students-and-family/OregonDiploma/Documents/FINAL%20PFE%20Standards_AdoptedAccessible.pdf

- Explain why governments collect taxes and identify public services that are paid for with tax dollars.

Supplies

1. Projector
2. Presentation slides (Note: Speaker notes are provided in the lesson plan and in the accompanying PowerPoint slides.)
3. Student handouts
4. A large writing surface such as chart paper and markers, whiteboard, or chalkboard

Preparation

1. Make copies of student handouts.
2. Set up projector with presentation slides.

Overview

In this lesson, students learn why governments collect taxes and how tax revenue supports shared public services. They then trace the “tax journey” from earning income to filing an annual tax return. Students learn when and why common forms (W-4, W-2, 1099 and 1040) are used in the tax cycle, and then work in small groups to analyze a sample pay stub and W-2 to interpret earnings, deductions, and taxes paid.

Instructions

Activity 1: Warm-Up

5 minutes

1. Display the **Title slide (Slide 1)** and distribute the handout packets to students, if you have not already.
2. Display the **Warm-up slide (Slide 2)** and point students to the copy of the prompt on the slide (*Think about the last time you visited a national, state or local park. Who pays to keep the park clean and maintained?*) that is provided on the first page of their handouts.
3. Invite students to take a moment to write down their responses to the prompt in the space provided in their handouts. Tell them there are no right or wrong answers—they should simply write whatever comes to mind.
4. Display the **What taxes are used for slide (Slide 3)** and review with students the information provided.
5. Explain that paying taxes is a responsibility of people who live and work in a community. Taxes are collected by governments to pay for things we all use, like schools, roads, parks and emergency services. When everyone contributes, communities can provide these shared services.

6. Display the **Learning targets slide (Slide 4)** and point students to the copy of the learning targets provided on the first page of their handouts. Review the learning targets with them.
7. Point students to the copy of the lesson glossary provided on the first page of their handouts and review the terms with them.
8. Point students to the **Note Catcher handout** and invite them to use it to take notes during the lesson.

Activity 2: Presentation

15 minutes

1. Display the **Presentation slide (Slide 5)**.
2. Display the **Tax process slide (Slide 6)** and review with students the process by which money is earned and taxes are paid in the U.S.
 - Explain that paying taxes is required by law, which means people who earn enough money must report their income and pay the taxes they owe to the government.
 - Highlight that April 15 is Tax Day, which means people must send in their tax forms by that date and either pay any taxes they still owe or show that they should get a refund.
3. Display the **Taxable income slide (Slide 7)** and review with students the types of income subject to taxation.
4. Remind students of the difference between earned (active) income and unearned (passive) income they learned about in **Lesson 2, Managing Your Money**. Job income and income earned from freelance or side jobs are earned income, while income from savings and investments are generally unearned income.
5. Display the **Common tax forms: W-4 (Employee's Withholding Certificate) slide (Slide 8)** and review with students the information provided. Note that this is one of two forms from the U.S. government students are likely to see if they apply for a job. The other is the I-9, which is discussed on a later slide.
6. Display the **Common tax forms: W-2 (Wage and Tax Statement) slide (Slide 9)** and review with students the information provided. Highlight that employers send W-2s to employees each January of the year after the money was earned.
7. Display the **Common tax forms: 1099 slide (Slide 10)** and review with students the information provided. Note that 1099s are usually sent out by the end of January of the year after the money was earned.
8. Display the **Common tax forms: 1040 slide (Slide 11)** and review with students the information provided. Highlight that this form is used by people with both simple and complex tax situations.
9. Display the **One more form: I-9 slide (Slide 12)** and review with students the information provided.
 - Note that this form is not about taxes or pay, but it is a form students will likely see when they apply for a job.

- Employers will typically ask job applicants to complete a W-4 and an I-9 at the same time because they need information from both forms to report to the U.S. government.
10. Display the **Tax deductions and tax credits reduce taxes slide (Slide 13)** and review with students the information provided. Emphasize that there are many deductions and credits and that students can seek additional information on them from trusted sources that will be provided on the next slide.
 11. Display the **How to get help with taxes slide (Slide 14)** and review with students the information provided. Reassure students that taxes are a complex topic and even adults need assistance with taxes.
 12. Transition to the next activity by explaining that students will use their new knowledge to analyze two sample documents they are likely to encounter when they begin working and paying taxes.
 13. Take any questions from students before moving on.
 14. (Optional) Provide students with a short break. The **Break slide (Slide 15)** is provided if you choose to give students a break at this point or later in the lesson.

Activity 3: Application Activity

20 minutes

1. Display the **Application Activity slide (Slide 16)**.
2. Divide the class into small groups.
3. Display the **Activity instructions slide (Slide 17)** and point students to the **Reading a Pay Stub** and **Reading a W-2 handouts**. Review the activity instructions as a class.
 - In the first handout, students will analyze a sample pay stub and answer questions about it.
 - In the second handout, they will complete a similar analysis using a sample W-2. Note that both samples use fake information and may look different from actual pay stubs and W-2s.
4. Invite groups to begin working.
5. Circulate among the groups as they work to answer questions and make sure they are staying on task.
6. After 10 minutes, check in with the groups to assess their progress.
7. After 20 minutes, or when it looks like all groups have completed their work, get their attention and move on to the activity debrief.

Activity 4: Activity Debrief

10 minutes

1. Display the **Debrief slide (Slide 18)**.
2. Using the **Reading a pay stub answer key slide (Slide 19)**, have students compare their work with the answers provided on the slides. If students have questions about or disagree with any of the suggested answers, encourage them to explain their reasoning.
3. Using the **Reading a W-2 answer key slide (Slide 20)**, have students compare their work with the answers provided on the slides. If students have questions about or disagree with any of the suggested answers, encourage them to explain their reasoning.

Activity 5: Wrap-Up

5 minutes

1. Display the **Wrap-Up slide (Slide 21)**.
2. Display the **Exit ticket slide (Slide 22)** and point students to the copy of the prompts on the slide that is provided on the last page of their handout packets. Invite students to write their responses to the prompt in their handouts in the spaces provided.
3. Display the **Thank you! slide (Slide 23)**.
4. Answer any final questions and thank students for their participation.

Extension

Have students use the **Analyze a Real Paycheck handout** to analyze a paycheck (their own or someone else's) and record the information indicated.

Glossary

Deductions: Taxes, insurance premiums, and the cost of other programs that are subtracted from your gross income on a paycheck.

Earned (active) income: Money you earn from working for yourself or others.

Gross pay: Money you earn before any taxes or other deductions are taken out of a paycheck.

Net pay: Money taken home after taxes and other deductions are taken out of your paycheck.

Tax credit: An amount that is subtracted directly from the taxes you owe, which can lower your tax bill dollar for dollar.

Tax deduction: An amount you subtract from your income before taxes are calculated, which lowers the amount of money the government taxes you on.

Taxes: Money people and businesses pay to the government to help pay for public services.

Tax return: A form sent to a government that shows how much money you earned and how much tax you paid, so they can see if you owe more money or should get money back.

Unearned (passive) income: Money you earn without working.

Withholding: The part of your paycheck that an employer takes out and sends to the government to help pay taxes throughout the year. These are sometimes also called *deductions*, not to be confused with *tax deductions*.

Year-to-date (YTD): The total amount of money you have earned or paid so far from the beginning of the year up to today.