

Name _____

Tax Tales: Understanding Federal, State, and Local Taxes

Open-Ended Response Answer Key

1. Possible Answer: Federal taxes are collected by the federal government and fund national programs and defense. State taxes are collected by individual states and fund state-specific programs and services like education. Local taxes are collected by city or county governments and support local services like schools and libraries.
2. Possible Answer: Sales tax increases the cost of goods for consumers, and businesses are responsible for collecting and remitting the tax to the government. It can affect consumer spending and business profitability.
3. Possible Answer: Local autonomy in taxation means that communities have control over their funding and services. For example, a community can choose to increase local property taxes to improve local schools or infrastructure projects based on their unique needs and priorities.
4. Possible Answer: Taxes can be adjusted during economic downturns to encourage spending and stimulate economic activity. For example, the government may reduce income tax rates to provide individuals with more disposable income to spend, thereby boosting the economy.

