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** as a taxpayer’s income **increases**, resulting in **higher**-earners paying a larger share of income taxes than **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**.