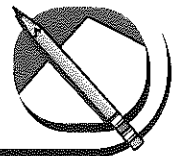


## Section 1: Quiz What Are Taxes?



### A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_ 1. income
- \_\_\_ 2. a tax in which the percentage paid increases as income increases
- \_\_\_ 3. a tax in which the percentage paid decreases as income increases
- \_\_\_ 4. income, property, good, or service that is subject to tax

#### Column II

- a. tax base
- b. revenue
- c. progressive tax
- d. regressive tax

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_ 5. What gives the U.S. government the right to collect taxes?
  - a. custom of government
  - b. state laws in all 52 states
  - c. the U.S. Constitution
  - d. an act of the U.S. Congress
  
- \_\_\_ 6. What does the "equity" of a tax mean?
  - a. The tax is simple to collect.
  - b. The tax is fairly assessed.
  - c. The tax is paid equally by everyone.
  - d. The tax is paid only by those who will use the service it provides.
  
- \_\_\_ 7. What happens to the percentage of an income that is taxed when income rises and the tax is a proportional one?
  - a. The percentage of tax falls.
  - b. The percentage of tax rises.
  - c. The percentage of tax first rises and then falls.
  - d. The percentage of tax stays the same.
  
- \_\_\_ 8. How would you describe a tax that is assessed according to the benefits-received principle?
  - a. Those who receive direct payments of the money the tax generates are the people who pay the tax.
  - b. Those who receive the benefits the tax provides are the people who pay the tax.
  - c. One group of people receives benefits from the tax but another group pays the tax.
  - d. All groups receive benefits from the tax but not all groups pay equally.
  
- \_\_\_ 9. On which of the following goods or services might a tax increase be hardest to pass on to consumers?
  - a. gasoline
  - b. groceries
  - c. automatic car washes
  - d. prescription medications
  
- \_\_\_ 10. What determines the incidence of a tax?
  - a. the elasticity of demand of the product taxed
  - b. the laws of the government that imposes the tax
  - c. the wealth of the people who are taxed
  - d. the willingness to pay of the people who are taxed