Unit 5 Quiz — Taxes

Teen Money Independence · Lessons 5.1 – 5.6

Name: Date:

PART 1 — MULTIPLE CHOICE (2 POINTS EACH)

Circle the best answer.

1. The U.S. federal income tax system is described as "progressive." This means:

A. Every dollar you earn is taxed at the same flat rate

B. Higher-income earners pay a higher rate on each additional dollar above certain thresholds

C. The government automatically adjusts rates for inflation each year

D. You pay more in taxes as you spend more money

2. Alex earned $9,200 from his lawn care business. His self-employment tax rate is 15.3%. Why does he pay 15.3% instead of the 7.65% that W-2 employees pay?

A. Self-employed workers are penalized for not having an employer

B. He pays both the employee and employer portions of FICA

C. His income exceeds the threshold that triggers the higher rate

D. 15.3% only applies to side income, not full-time wages

3. Sofia worked two W-2 jobs but did not update her W-4 at the second job. She now owes $940 in April. What most likely caused this?

A. Her first employer withheld too much tax

B. Her second employer withheld as if it were her only income, leaving a shortfall

C. She forgot to claim the standard deduction

D. W-4 forms are only required for self-employed workers

4. Lucy filed her taxes in February and received a $180 refund. She immediately adjusted her W-4. Her goal was to:

A. Maximize her refund each April

B. Get closer to breaking even — neither owing nor receiving a large refund

C. Reduce the amount of taxes she pays overall

D. Qualify for more tax credits next year

5. Which saves you more money — a $1,000 tax deduction or a $1,000 tax credit, if you are in the 22% bracket?

A. A $1,000 deduction (saves $220)

B. They save exactly the same amount

C. A $1,000 tax credit (saves the full $1,000)

D. A deduction always saves more at higher income levels

PART 2 — SHORT ANSWER (5 POINTS EACH)

👥 It's mid-April.
Lucy filed in February and received a $180 refund, then adjusted her W-4.
Joseph still hasn't filed and is afraid he owes money.
Alex set aside 28% of every self-employment payment throughout the year; his actual tax bill was $1,300, leaving him with $1,276 extra in his tax savings account.
Sofia worked two jobs and owes $940 — she didn't realize withholding at her second job was wrong.

Use the scenario above to answer Question 2.

1. Explain the difference between a tax deduction and a tax credit. Which is more valuable, and why?

2. Joseph has not filed his taxes and the deadline has passed. What two penalties is he now likely to face? What should he do immediately?

PART 3 — MATH PROBLEM (10 POINTS)

1. Alex earned $9,200 from his lawn business this year. Self-employment tax is calculated on 92.35% of net earnings at 15.3%. (a) Calculate his self-employment tax. (b) His income after the SE tax deduction (half of SE tax is deductible) is below the standard deduction, so he owes $0 in federal income tax. How much total does he owe the IRS?

Show your work:

SCORE

Multiple Choice	Short Answer	Math	Total
/10	/10	/10	/30

Grader notes: