

## Sales Tax Worksheet Answer Key PDF

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### Part 1: Foundational Knowledge

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**What is the primary purpose of sales tax?**

undefined. A) To increase the cost of goods

**undefined. B) To generate revenue for the government ✓**

undefined. C) To discourage consumption

undefined. D) To promote savings

The primary purpose of sales tax is to generate revenue for the government.

**Which of the following items are commonly exempt from sales tax? (Select all that apply)**

**undefined. A) Prescription medications ✓**

undefined. B) Luxury cars

**undefined. C) Groceries ✓**

undefined. D) Electronics

Common exemptions include prescription medications and groceries.

**Explain how sales tax is calculated on a purchase. Include the formula in your response.**

**Sales tax is calculated by multiplying the purchase price by the sales tax rate. The formula is: Sales Tax = Purchase Price x Sales Tax Rate.**

**List two responsibilities of retailers regarding sales tax.**

1. Responsibility 1

**Collect sales tax from customers.**

2. Responsibility 2

**Remit collected sales tax to the government.**

Retailers are responsible for collecting sales tax from customers and remitting it to the government.

## Part 2: Comprehension

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**Which statement best describes the relationship between sales tax and use tax?**

undefined. A) Use tax is a replacement for sales tax.

**undefined. B) Use tax is applied to goods purchased out of state. ✓**

undefined. C) Use tax is only applicable to services.

undefined. D) Use tax is a higher rate than sales tax.

Use tax is applied to goods purchased out of state and is complementary to sales tax.

**Why might a government choose to exempt certain goods from sales tax? (Select all that apply)**

**undefined. A) To encourage the purchase of essential goods ✓**

undefined. B) To increase overall tax revenue

**undefined. C) To reduce the financial burden on low-income families ✓**

undefined. D) To promote luxury spending

Governments may exempt goods to encourage the purchase of essential items and reduce the financial burden on low-income families.

**Describe how sales tax rates can vary and what factors might influence these differences.**

**Sales tax rates can vary by state and locality due to different government policies, economic conditions, and funding needs.**

## Part 3: Application and Analysis

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**If a state has a sales tax rate of 7% and a customer buys a \$100 item, how much sales tax will they pay?**

undefined. A) \$5

**undefined. B) \$7 ✓**

undefined. C) \$10

undefined. D) \$12

The customer will pay \$7 in sales tax on a \$100 item at a 7% sales tax rate.

**A retailer in City A collects sales tax at a rate of 5%, while in City B, the rate is 8%. If a customer buys a \$200 item in both cities, how much more sales tax will they pay in City B? (Select all that apply)**

**undefined. A) \$6 ✓**

undefined. B) \$8

undefined. C) \$10

undefined. D) \$12

The customer will pay \$6 more in sales tax in City B compared to City A.

**A business owner needs to calculate the total amount due for a purchase of \$500 with a sales tax rate of 6%. Show your calculations and the final amount.**

**The total amount due is \$530, calculated as  $\$500 + (\$500 \times 0.06)$ .**

**What might be the impact on consumer behavior if a state increases its sales tax rate significantly?**

undefined. A) Increase in consumer spending

**undefined. B) Decrease in consumer spending ✓**

undefined. C) No change in consumer behavior

undefined. D) Increase in luxury purchases

A significant increase in sales tax may lead to a decrease in consumer spending.

**Analyze the potential consequences for a business that fails to remit collected sales tax. (Select all that apply)**

**undefined. A) Legal penalties ✓**

undefined. B) Increased profits

**undefined. C) Loss of business license ✓**

**undefined. D) Audits by tax authorities ✓**

Consequences may include legal penalties, loss of business license, and audits by tax authorities.

**Discuss how sales tax exemptions for certain goods can affect the overall economy of a region.**

**Sales tax exemptions can stimulate economic activity by making essential goods more affordable, but they may also reduce government revenue.**

## Part 4: Evaluation and Creation

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**Which strategy might a government use to balance the need for revenue with the economic impact of sales tax?**

undefined. A) Increase sales tax on all goods

undefined. B) Implement a flat sales tax rate

**undefined. C) Exempt essential goods from sales tax ✓**

undefined. D) Reduce sales tax rates across the board

Exempt essential goods from sales tax is a strategy to balance revenue needs with economic impact.

**Evaluate the effectiveness of using sales tax as a tool for economic policy. What are some potential benefits and drawbacks? (Select all that apply)**

**undefined. A) Encourages consumer spending ✓**

**undefined. B) Provides stable government revenue ✓**

**undefined. C) Can disproportionately affect low-income individuals ✓**

**undefined. D) Simplifies tax collection for businesses ✓**

Sales tax can encourage consumer spending and provide stable revenue, but it can also disproportionately affect low-income individuals.

**Propose a new sales tax policy that could help stimulate economic growth in a struggling region. Justify your proposal with potential benefits and challenges.**

**A proposed policy could include reducing sales tax on essential goods to stimulate spending, with challenges including potential revenue loss.**