

Sales Tax Worksheet

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Part 1: Foundational Knowledge

What is the primary purpose of sales tax?

Hint: Consider the main reason governments impose sales tax.

- A) To increase the cost of goods
- B) To generate revenue for the government
- C) To discourage consumption
- D) To promote savings

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

Hint: Think about essential goods and services.

- A) Prescription medications
- B) Luxury cars
- C) Groceries
- D) Electronics

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

Hint: Consider the total price and the tax rate.

List two responsibilities of retailers regarding sales tax.

Hint: Think about what retailers must do with collected sales tax.

1. Responsibility 1

2. Responsibility 2

Part 2: Comprehension

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

Hint: Consider how these two types of taxes interact.

- A) Use tax is a replacement for sales tax.
- B) Use tax is applied to goods purchased out of state.
- C) Use tax is only applicable to services.
- D) Use tax is a higher rate than sales tax.

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

Hint: Think about the social and economic reasons for exemptions.

- A) To encourage the purchase of essential goods
- B) To increase overall tax revenue
- C) To reduce the financial burden on low-income families
- D) To promote luxury spending

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

Hint: Consider geographical and economic factors.

Part 3: Application and Analysis

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

Hint: Calculate the sales tax based on the given rate.

- A) \$5
- B) \$7
- C) \$10
- D) \$12

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)

Hint: Calculate the difference in sales tax between the two cities.

- A) \$6
- B) \$8
- C) \$10
- D) \$12

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.

Hint: Consider both the purchase price and the sales tax.

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

Hint: Consider how consumers might react to higher costs.

- A) Increase in consumer spending
- B) Decrease in consumer spending
- C) No change in consumer behavior
- D) Increase in luxury purchases

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

Hint: Think about the legal and financial implications.

- A) Legal penalties
- B) Increased profits
- C) Loss of business license
- D) Audits by tax authorities

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

Hint: Consider the broader economic implications of exemptions.

Part 4: Evaluation and Creation

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

Hint: Think about different approaches to taxation.

- A) Increase sales tax on all goods
- B) Implement a flat sales tax rate
- C) Exempt essential goods from sales tax
- D) Reduce sales tax rates across the board

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

Hint: Consider the implications of sales tax on the economy.

- A) Encourages consumer spending
- B) Provides stable government revenue
- C) Can disproportionately affect low-income individuals

- D) Simplifies tax collection for businesses

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

Hint: Think creatively about tax policy.