

## Sales Tax Worksheet Questions and Answers PDF

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### Part 1: Foundational Knowledge

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#### 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

■ 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)

*Hint: Think about essential goods and services.*

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

■ Common exemptions include prescription medications and groceries.

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

*Hint: Consider the total price and the tax rate.*

**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.**

*Hint: Think about what retailers must do with collected 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?**

*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.

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)**

*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

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.**

*Hint: Consider geographical and economic factors.*

**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?**

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

- A) \$5
- B) \$7 ✓**
- C) \$10
- 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)**

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

- A) \$6 ✓
- B) \$8
- C) \$10
- 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.**

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

| **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?**

*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

| 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)**

*Hint: Think about the legal and financial implications.*

- A) Legal penalties ✓
- B) Increased profits
- C) Loss of business license ✓
- 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.**

*Hint: Consider the broader economic implications of exemptions.*

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?**

*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

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)**

*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 ✓

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.**

*Hint: Think creatively about tax policy.*

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