

Econ Ch. 9 Practice Test II

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. The incidence of a tax can more effectively be shifted from the supplier to the consumer if
- the demand curve is inelastic.
 - the demand curve is elastic.
 - it is not a luxury tax or an excise tax.
 - it is a property tax rather than an income tax.
- _____ 2. The authority to levy a federal income tax comes from
- the Fifth Amendment.
 - the Sixteenth Amendment.
 - an act of Congress.
 - the Bill of Rights.
- _____ 3. Intergovernmental revenues are generally intended for
- education and public welfare.
 - public transportation.
 - environmental cleanup.
 - parks and recreation.
- _____ 4. The alternative minimum tax
- is an additional tax above and beyond the base rate.
 - requires people to pay a minimum tax of 20 percent.
 - allows a reduction in business taxes based on investment in equipment.
 - allows larger-than-normal depreciation charges.
- _____ 5. The flat tax
- would increase the need for individuals to hire tax accountants.
 - includes incentives that promote positive economic behavior.
 - allows too many loopholes.
 - simplifies the tax process.
- _____ 6.

Types of Taxes			
Type of tax	Income of \$10,000	Income of \$100,000	Summary
Proportional (<i>City income tax</i>)	\$97.50 or 0.975% of income	\$975.00 or 0.975% of income	As income goes up, the percentage of income paid in taxes <i>stays the same</i> .
Progressive (<i>Federal income tax</i>)	\$1,000 paid in taxes, or 10% of total income	\$25,000 paid in taxes, or 25% of total income	As income goes up, the percentage of income paid in taxes <i>goes up</i> .
Regressive (<i>State sales tax</i>)	\$5,000 in food and clothing purchases, taxed at 4% for a total tax of \$200 or 2% of income	\$20,000 in food and clothing purchases, taxed at 4% for total tax of \$800 or 0.8% of income	As income goes up, the percentage of income paid in taxes <i>goes down</i> .



Medicare tax is 1.45 percent of income, with no limit on the amount of income taxed. This is an example of which type of tax?

- state sales tax
- progressive tax

- b. proportional tax d. regressive tax

_____ 7. The “incidence of a tax”

- is a benefit tax.
- refers to those who bear the final burden of taxation.
- is a special tax on individuals with high income.
- is a tax paid by self-employed workers.

8. Ann earns \$10,000 annually and pays a tax of \$1,000. Jerome earns \$60,000 during the same period and pays taxes of \$20,000. The tax they both paid was a

- proportional tax.
- progressive tax.
- regressive tax.
- marginal tax.

____ 9. FICA includes taxes to pay for

- Social Security and Medicare.
- Social Security and unemployment.
- unemployment and Medicare.
- Medicare and worker's compensation.

____ 10. The Taxpayer Relief Act of 1997

- increased capital gains taxes.
- eliminated tax credits for families with children.
- changed marginal tax brackets to favor families.
- did little to benefit wage earners in the lowest 20 percent.

_____ 11. The flat tax

- shifts the burden of taxes to businesses.
- would complicate tax filing for most individuals.
- departs from ability-to-pay principle of taxation.
- would allow for more deductions and exemptions when filing an income tax return.

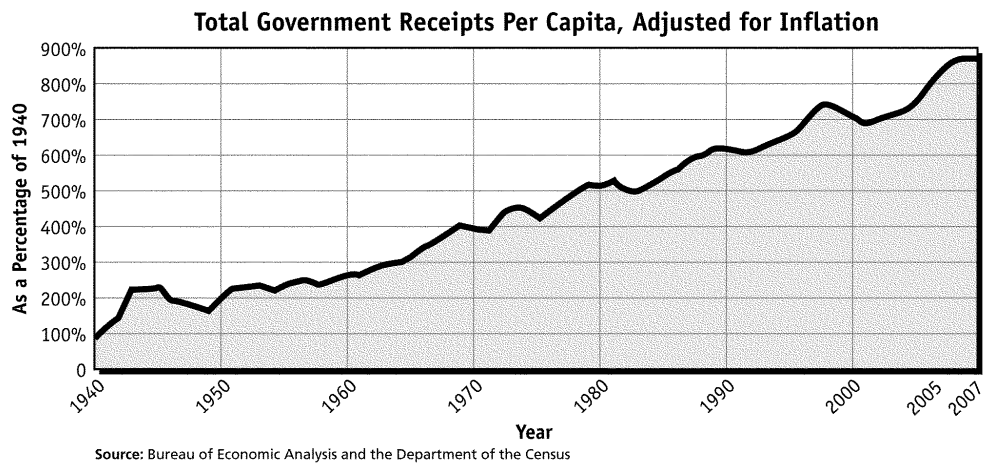
_____ 12.

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6 Under which type of tax do individuals with higher incomes pay a smaller percentage than do those with lower incomes?

- progressive tax
- city income tax
- proportional tax
- regressive tax



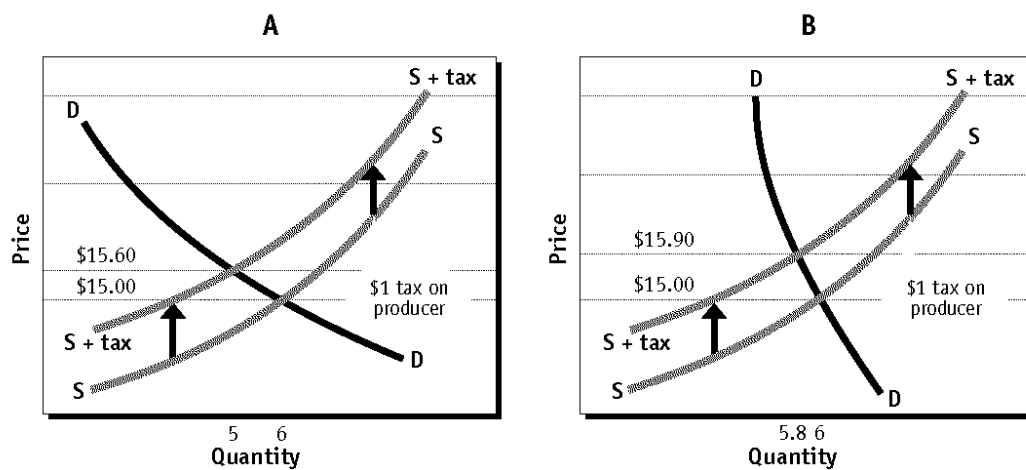
13.



Based on the graph, the total government receipts per capita for 2006 were

- a. 30 times greater than in 1964.
- b. 3 times greater than in 1964.
- c. 30 times greater than in 1974.
- d. 3 times greater than in 1974.

Shifting the Incidence of a Tax



14. In panel A of the graph, how much of the cost of the tax did the producer absorb?

- a. \$15.00
- b. \$15.60
- c. 60 cents
- d. 40 cents



15. In panel B of the graph, how much of the cost of the tax did the producer pass on to the consumer?

- a. 90 cents
- b. 10 cents
- c. \$15.90
- d. \$15.00

16.

Tax Table for Single Individuals—2007					
If your taxable income is:		The tax is:			of the amount
Over...	But not over...				over...
\$0	\$7,825	-----		10%	\$0
\$7,825	\$31,850	\$782.50	+	15%	\$7,825
\$31,850	\$77,100	\$4,386.25	+	25%	\$31,850
\$77,100	\$160,850	\$15,698.75	+	28%	\$77,100
\$160,850	\$349,700	\$39,148.75	+	33%	\$160,850
\$349,700	-----	\$101,469.25	+	35%	\$349,700

Source: Schedule X, IRS Individual Tax Table.



What type of tax does the tax table in the illustration represent?

- a. flat
- b. progressive
- c. regressive
- d. proportional

Matching

Match each statement with the correct item below.

- a. reduction in business taxes based on investment in new plants and equipment
- b. federal tax on people's earnings
- c. system requiring employers to deduct income taxes from employees' paychecks and send them directly to the IRS
- d. profits from the sale of an asset held for 12 months
- e. tax that imposes a higher percentage rate of taxation on people with higher incomes than on people with lower incomes
- f. Medicare and Social Security
- g. tax on tangible and intangible possessions, such as real estate, buildings, furniture, stocks, bonds, and bank accounts
- h. relatively high tax on socially undesirable products, such as tobacco
- i. tax on the manufacture and sale of selected items
- j. upward revision of the tax brackets to compensate for the effects of inflation

17. payroll withholding system

18. sin tax

19. property tax

20. individual income tax

21. indexing

- _____ 22. investment tax credit
- _____ 23. payroll taxes
- _____ 24. progressive tax
- _____ 25. capital gains
- _____ 26. excise tax

Match each statement with the correct item below.

- a. person who assigns value to property for tax purposes
 - b. tax that imposes a higher percentage of taxation on lower incomes than on higher incomes
 - c. annual report to the IRS summarizing total income, deductions, and taxes withheld by employers
 - d. tax on the transfer of property when a person dies
 - e. exceptions in the tax law that allow some people to avoid paying taxes
 - f. tax on the value added at every stage of the production process
 - g. federal health-care program for senior citizens
 - h. proportional tax on individual income after an income threshold has been reached
 - i. tax paid by corporations on their profits
 - j. tax in which everyone pays the same percentage regardless of income
- _____ 27. tax loophole
 - _____ 28. Medicare
 - _____ 29. value-added tax (VAT)
 - _____ 30. proportional tax
 - _____ 31. corporate income tax
 - _____ 32. tax assessor
 - _____ 33. regressive tax
 - _____ 34. flat tax
 - _____ 35. tax return
 - _____ 36. estate tax

Econ Ch. 9 Practice Test II

Answer Section

MULTIPLE CHOICE

1. ANS: A PTS: 1 DIF: Challenging REF: Page 231
NOT: Learn more about this question in Economics Principles and Practices, page 231, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
2. ANS: B PTS: 1 DIF: Average REF: Page 238
NOT: Learn more about this question in Economics Principles and Practices, page 238, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
3. ANS: A PTS: 1 DIF: Average REF: Page 242
NOT: Learn more about this question in Economics Principles and Practices, page 242, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
4. ANS: B PTS: 1 DIF: Challenging REF: Page 249
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5. ANS: D PTS: 1 DIF: Average REF: Page 251
NOT: Learn more about this question in Economics Principles and Practices, page 251, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
6. ANS: B PTS: 1 DIF: Average REF: Pages 235-236
MSC: Document Based Question
NOT: Learn more about this question in Economics Principles and Practices, pages 235-236, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
7. ANS: B PTS: 1 DIF: Average REF: Page 231
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9. ANS: A PTS: 1 DIF: Average REF: Page 239
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10. ANS: D PTS: 1 DIF: Challenging REF: Page 250
NOT: Learn more about this question in Economics Principles and Practices, page 250, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.
11. ANS: C PTS: 1 DIF: Challenging REF: Page 251
NOT: Learn more about this question in Economics Principles and Practices, page 251, and in the Reading

Essentials and Notetaking Guide, Chapter 9, Section 3. For additional practice, visit this book's Online Learning Center at glencoe.com.

12. ANS: D PTS: 1 DIF: Average REF: Pages 235-236
MSC: Document Based Question
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MATCHING

17. ANS: C PTS: 1 DIF: Average REF: Page 239
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18. ANS: H PTS: 1 DIF: Easy REF: Page 230
NOT: Learn more about this question in Economics Principles and Practices, page 230, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 1. For additional practice, visit this book's Online Learning Center at glencoe.com.
19. ANS: G PTS: 1 DIF: Average REF: Page 244
NOT: Learn more about this question in Economics Principles and Practices, page 244, and in the Reading Essentials and Notetaking Guide, Chapter 9, Section 2. For additional practice, visit this book's Online Learning Center at glencoe.com.
20. ANS: B PTS: 1 DIF: Easy REF: Page 232
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21. ANS: J PTS: 1 DIF: Average REF: Page 239
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22. ANS: A PTS: 1 DIF: Average REF: Page 249
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23. ANS: F PTS: 1 DIF: Average REF: Page 239
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31. ANS: I PTS: 1 DIF: Average REF: Page 240
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32. ANS: A PTS: 1 DIF: Easy REF: Page 244
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33. ANS: B PTS: 1 DIF: Average REF: Page 236
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34. ANS: H PTS: 1 DIF: Average REF: Page 251
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35. ANS: C PTS: 1 DIF: Easy REF: Page 233
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36. ANS: D PTS: 1 DIF: Average REF: Page 241
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