

FREE ENTERPRISE



ACTIVITY 14

TAX HOLIDAY

Maya's School Purchases

Sweatshirt	\$45.00	_____
Jeans	\$50.00	_____
Skirt	\$40.00	_____
Raincoat	\$120.00	_____
Digital watch	\$44.00	_____
Snow boots	\$60.00	_____
Prescription glasses	\$85.00	_____
Long-sleeved shirt	\$35.00	_____
Running shoes	\$143.00	_____
Perfume	\$25.00	_____
Leather jacket	\$164.00	_____
Backpack	\$45.00	_____
Printer paper	\$10.00	_____
Belt	\$13.00	_____
Calculator	\$15.00	_____
Pens	\$3.50	_____
Subtotal	_____	
Tax	_____	
Total	_____	

Almost all states levy sales taxes. Some states try to make sales taxes easier to pay by not taxing food because poorer people spend a higher proportion of their income on this need than do more affluent people. Suppose, in an effort to make sales taxes fairer, that one state's governor declared a "tax holiday" on its 6% sales tax just before school opened. **Any article of clothing that could be worn to school with a price of less than \$100 would be tax-free for three days.**

Directions: The receipt on the left shows Maya's purchases during the tax holiday. Write a T next to each taxable item. Then calculate the tax and the total amount Maya paid for her purchases. Complete the following exercises.

- How much would the total tax have been on these purchases *before* the tax holiday? _____
 - How much is the total tax *during* the tax holiday?

 - How much did the buyer save in sales tax?

- Why do you think items priced \$100 or more were ineligible for the tax break?

- How do you think people with limited incomes might have benefited from a tax break on more expensive items? Explain.

- Choose a taxed item that you think should have been included in the back-to-school tax holiday. Explain your choice.

- Suppose that critics claimed that the tax holiday did little to help poor people and was merely a gimmick to enhance the image of the governor. Would you agree? Why or why not?

