



Education. Discussion. Understanding.

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# Tax Truths: Elevate Your Financial IQ

# Taxes and Financial Literacy

**Taxes play a role in financial literacy through:**

- Earnings
- Savings and investment
- Budgeting
- Employment decisions

*If you're ignoring taxes in financial literacy education or in financial planning, you're only painting part of the full picture.*



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# Taxes and Financial Literacy

Earlier this year, TaxEDU conducted a national poll to understand tax literacy among taxpayers...

*More than 50% of respondents did not understand or were unsure of basic tax concepts.*

**Example: do you receive more value from a \$200 tax credit or a \$200 tax deduction?**



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# How Can You Help Improve Tax Literacy?

Taxes play a role in **financial literacy, personal finance, civics, economics, and history.**

The better students understand how taxes work, why we pay them, and the impact they have, the better they can make sound financial plans.



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# Tax Foundation

**Who We Are:** The Tax Foundation is the world's leading nonpartisan tax policy 501(c)(3) nonprofit, established in 1937.

**Our Mission:** to improve lives through tax policies that lead to greater economic growth and opportunity.

**Our vision:** a world where the tax code doesn't stand in the way of success. Every day, our team of experts strives towards that vision by remaining principled, insightful, and engaged and by advancing the principles of sound tax policy: *simplicity, neutrality, transparency, and stability.*

# TaxEDU

TaxEDU is designed to advance tax policy education, discussion, and understanding in classrooms, living rooms, and government chambers.

We offer **free** resources for *anyone* looking to boost their tax knowledge. Our users include the average taxpayer, educators, college and post-grad students, CPA's, media, lawmakers, and legislative staff.



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# Improve Tax Literacy with TaxEDU

TaxEDU offers free resources for your classroom. You can supplement a lesson or build a complete lesson using:

- Lesson modules
- Primers
- Educational videos
- Tax Glossary
- Podcast
- *The Short Form* blog



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# TaxEDU Glossary

## Withholding

Withholding is the income an employer takes out of an employee's paycheck and remits to the federal, state, and/or local government. It is calculated based on the amount of income earned, the taxpayer's filing status, the number of allowances claimed, and any additional amount of the employee requests.

## Tax Deduction

A tax deduction is a provision that reduces taxable income. A standard deduction is a single deduction at a fixed amount. Itemized deductions are popular among higher-income taxpayers who often have significant deductible expenses, such as state and local taxes paid, mortgage interest, and charitable contributions.

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### Related Glossary Terms



[Tax Refund](#)

[Individual Income Tax](#)

### Related Glossary Terms



[Individual Income Tax](#)

[Itemized Deduction](#)

[Tax Deduction](#)

[Standard Deduction](#)



# TaxEDU Videos



Videos August 8, 2024

## How Do Governments Raise Revenue?

The government provides various services at the federal, state, and local levels. How are they paid for? Taxes.



Videos April 27, 2022

## The Three Basic Tax Types

The better you understand taxes, the better equipped you are to make decisions about them. All taxes can be divided into three basic types: taxes on what you buy, taxes on what you earn, and taxes on what you own.



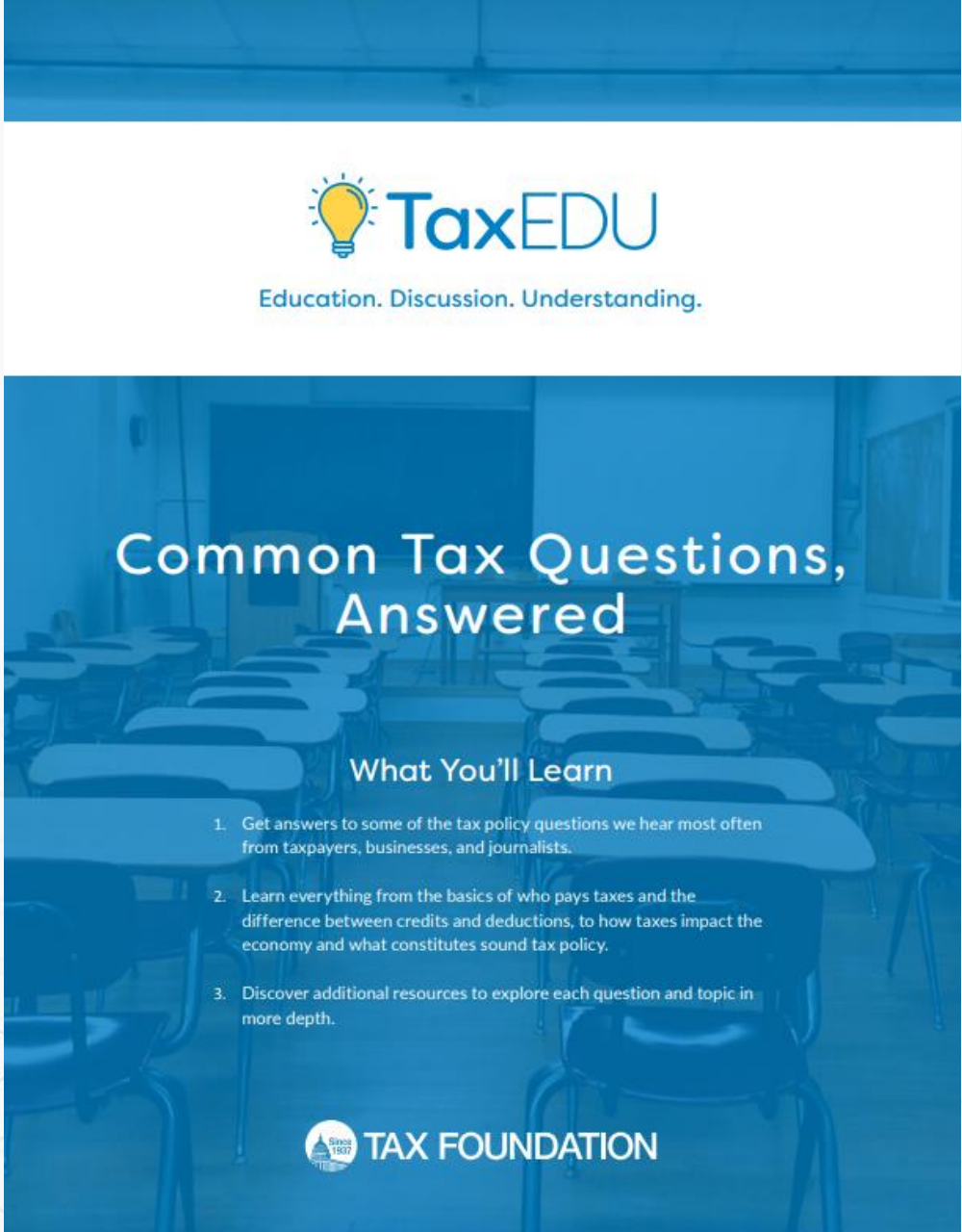
Videos March 16, 2023


## How Do Tax Brackets Work?

Understanding how tax brackets work can inform decisions about performing extra work through a second job or overtime, or pursuing new streams of income.

# TaxEDU Primers

- 3-7 pages
- In-class or take-home readings
- PDF download
- Most have accompanying video or other materials




  
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## Common Tax Questions, Answered

### What You'll Learn







1. Get answers to some of the tax policy questions we hear most often from taxpayers, businesses, and journalists.
2. Learn everything from the basics of who pays taxes and the difference between credits and deductions, to how taxes impact the economy and what constitutes sound tax policy.
3. Discover additional resources to explore each question and topic in more depth.






 **TAX FOUNDATION**

# Build a Lesson



## Glossary

-  [Sales Tax](#)
-  [Property Tax](#)
-  [Payroll Tax](#)
-  [Gross Receipts Tax](#)
-  [Excise Tax](#)
-  [Wealth Tax](#)

-  [Individual Income Tax](#)
-  [Corporate Income Tax](#)
-  [Capital Gains Tax](#)
-  [Value-Added Tax \(VAT\)](#)
-  [Inheritance Tax](#)



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## The Three Basic Tax Types

### What You'll Learn

1. Discover the three basic tax types—taxes on what you earn, taxes on what you buy, and taxes on what you own.
2. Learn about 12 specific taxes, four within each main category—earn: individual income taxes, corporate income taxes, payroll taxes, and capital gains taxes; buy: sales taxes, gross receipts taxes, value-added taxes, and excise taxes; and own: property taxes, tangible personal property taxes, estate and inheritance taxes, and wealth taxes.
3. Develop a basic understanding of how these taxes fit together, how they impact government revenues and the economy, and where you may encounter them in your daily life.



# *The Short Form Blog*

- Fun, easy topics
  - Taylor Swift's Eras Tour
  - Barbie Movie
  - Indiana Jones
- Current tax events
  - Rethinking tax refunds
  - How will TCJA impact you

Blog  Short Form August 18, 2023

## What Is GDP and Why Should I Care About It?

GDP stands for gross domestic product and is calculated by measuring a country's total consumption, government spending, investments, and net exports.

2 min read



Blog  Short Form August 11, 2023

## In Her Tax Era—The Tax Impact of Taylor Swift's Eras Tour

Taylor Swift's Eras Tour highlights that taxes impact everyone, artists and fans alike.

3 min read



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# National Tax Literacy Poll

## Tax Knowledge

To the best of your knowledge, what tax rate applies to the top U.S. federal income tax bracket: 22%, 32%, 37 % or 43%?

Suppose your income places you in the 22% bracket—how much of your income do you think is taxed at a rate of 22%: just some of it, or all of it?

To the best of your knowledge, do you think the average U.S. federal income tax rate is 3-4%, 13-14%, or 25-26%?

## Tax Perceptions

Do you think your federal income tax rates are too high, too low, or just right?

What do you think would be a fair top tax rate on income: 0%, 10%, 20%, 30%, 40%, or higher?

Do you think businesses should pay more in taxes, less in taxes, or do you think businesses are taxed about the right amount?

# Key Findings

- The majority of respondents did not know or were not sure of basic tax concepts related to income tax filing. Only 2% had proficient tax knowledge.
- Higher proficiency in tax literacy correlated with higher earnings and higher educational attainment, though tax misconceptions were still significant among those groups.
- More than 80% of respondents think the US federal tax code needs reform.
- More than half of respondents think federal income taxes are too high.
- 65% of respondents think the US tax code is not fair.

# TaxEDU Is for You Too

Learn more about your own taxes!

TaxEDU has information for you too!

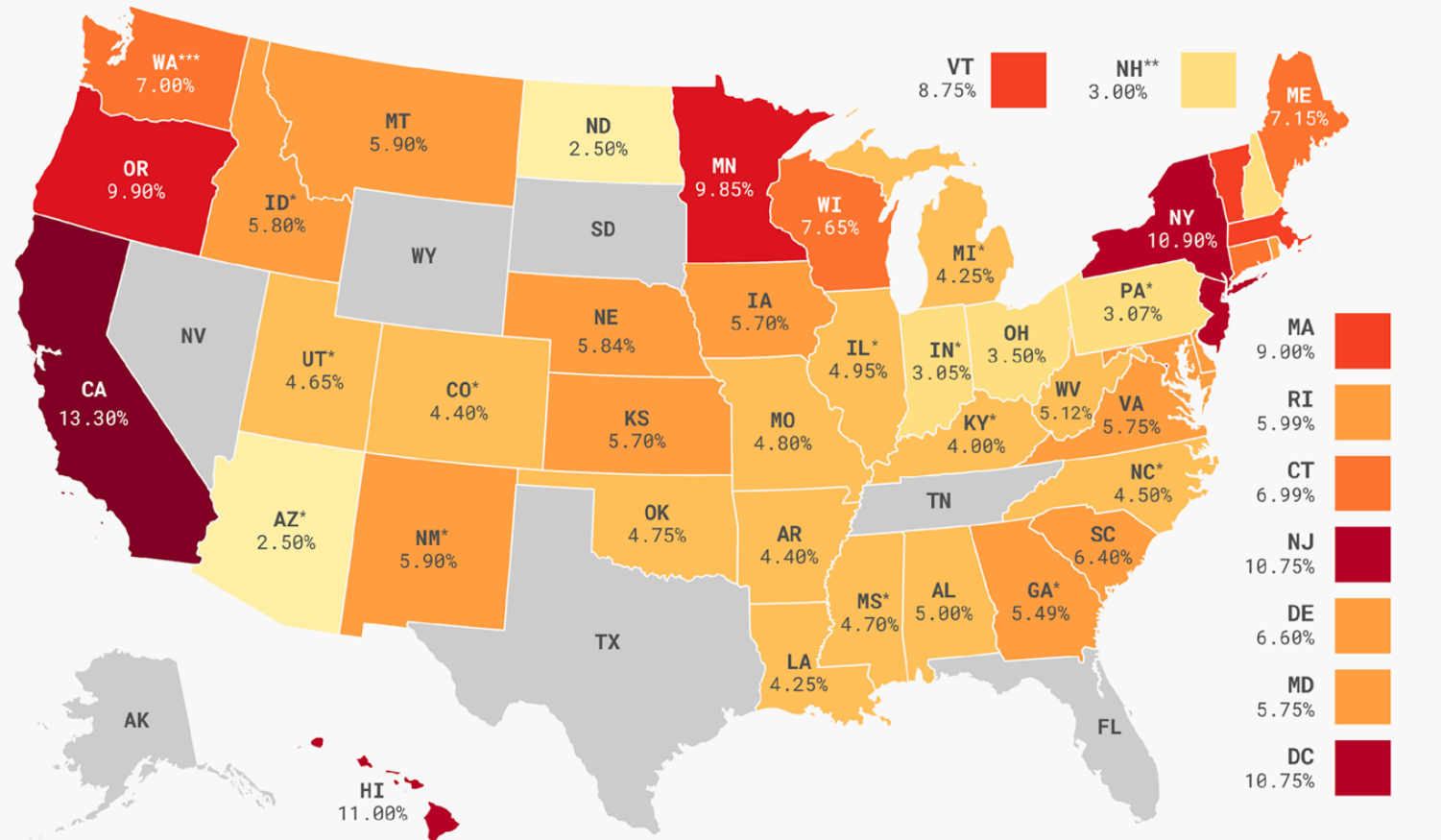
- 2025 tax brackets
- Credits vs. deductions
- Standard vs. itemized deduction
- ... and more!



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# Top Marginal State Individual Income Tax Rates (as of January 1, 2024)



(\*) State has a flat income tax.

(\*\*) State only taxes interest and dividends income.

(\*\*\*) State only taxes capital gains income.

Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective tax rates, which would include the effects of various tax preferences. Local income taxes are not included.

Sources: Tax Foundation; state tax statutes, forms, and instructions.

Top Marginal Individual  
Income Tax Rate



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Suggestions for a resource? Email:  
**zcallaway@taxfoundation.org**



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