

Welcome to another Learn More Live More video!

Taxes!

Not a lot of people like that word. Mom, Dads, and other Adults at home may often complain about taxes.

But taxes aren't all bad – even if we sometimes think they're inconvenient.

When we spend money we get something in return. That's how money works – we use it to pay for goods and services.

Today we are going to learn about what we buy with our taxes. A tax is nothing more than the money we pay for goods and services governed by the representatives we choose to lead us.

Taxes are like a big umbrella that covers a whole bunch of things that we don't think about paying for.

Let's start at the top; remember that word for money we receive from doing work – Income.

There are actually two types of Income

Gross Income, and Net Income.

They can be tricky to remember, so think of it like this: It can feel GROSS how much you have to give away, and you get to bring home what you catch in your NET like going fishing.

Gross Income is the money we have earned before we have paid taxes.

Net Income is the money we have earned after our taxes have been paid.

Every person, no matter what kind of job they have, pays some kind of taxes. Payroll Taxes are usually taken out of a person's gross income before they receive their paycheck. Payroll Taxes is the term we use when we want to combine Social Security, Medicare, and Income taxes all together. But before we put it all together let's look at the pieces.

First, Social Security. Almost everyone in the United States has a social security number. This is a number that is as unique as your fingerprints, and when you get your very first job it tells the government who you are, where you live, and how much money you make – so they know how much you need to pay in taxes.

Social Security tax is easy to calculate for those who have to pay it. It's always 6.2% of a person's gross income. That's \$6.20 out of every \$100 earned. That goes into an account held by the people we elected to govern our society. Whenever we reach a certain age or meet certain requirements, we get some of that money back in the form of monthly checks when we need it.

It's not easy to save money, so the Social Security tax was put in place to make sure we save money so that we have it when we can longer work but still need to pay bills.

Medicare is the easy one – it helps us pay for medical expenses. It's 1.45% or \$1.45 out of every \$100 you earn.

Doctors don't work for free. Nurses don't work for free. And medical care isn't cheap. It makes sense that we have a fund that we all pay in to that can help anyone who needs it so long as they meet certain eligibility requirements.

Medicare is designed to help pay for some medical costs so that people can visit the doctor if they need to when they get sick.

Now, Income taxes are a little tricky. They're also divided into two groups – State Income Taxes and Federal income taxes.

Federal is everyone in all the states - like your whole school!.

State is just your state and the people in it like your classroom inside the school.

Federal Income Taxes pay for things that all 50 states benefit from or get to use.

The Military gets most of our Federal income tax dollars. 25% of our income taxes are devoted to the military to provide everything the men and women may need to help keep us and themselves safe.

17% goes to programs that help people and families get food, shelter, and clothing when they need it.

And for those of us who love science – 1.2% of our federal income tax dollars go to help fund NASA. It's how we got a robot on the surface of Mars, the first recorded pictures of a black hole, and pictures of the ice volcanoes on Pluto!

That's just a few things we get when we pay our Federal Income taxes. There's a whole lot more – like research for new cures for diseases, and money to help our friends around the world when they're in trouble – like when we sent firefighters to Australia!

State Income taxes pay for roads, bridges, and state parks – like Palo Duro Canyon! BUT

Texas is one of seven states that doesn't pay state income taxes.

Our roads aren't free, and the people building and repairing our roads and bridges certainly don't work for free...so if we don't pay state income taxes in Texas, then how do we pay for all this construction? How do we pay to keep Palo Duro Canyon clean?

That's right –

SALES TAXES!

We've all been to the store and have seen something that says \$9.99 on the price tag, but that isn't the "real" price. The extra money we pay on goods at a store is called "sales tax" and sales taxes are how we pay for things like roads and bridges in the state of Texas.

So for every dollar you spend you will also spend 8.25 cents in sales tax where we live in Texas.

We can easily calculate Sales tax so that way you're not surprised when you get to the cash register!

Say something is \$4.99.

We turn our tax rate 8.25% into a decimal. Which makes it .0825 – then we multiply that by 4.99 which is .41 (when we round down).

Add that .41 to 4.99 and you get 5.40 - \$5.40!

Sales taxes can be frustrating, especially when we forget about them and let them surprise us. But they're very important if we want to have things that keep us safe, and make life easier.

Finally,
Property taxes.

Property taxes are what we pay when we own land, a home, or a business.

But what do property taxes actually pay for? Good question!

You didn't have to pay your teacher money to sit at your desk today. You don't have to pay for the books you check out at the library so long as you return them on time. You don't pay for your desk, the air conditioning, and so on...and that's in part thanks to the property taxes paid by the people that live in the neighborhood around your school.

Property taxes keep public school free for you and your friends!

Whew! We covered a lot! Let's review:

Taxes are important to make sure we all have access to things that make our lives better and easier.

Payroll taxes – are the taxes we pay out of our gross income.

Social Security helps us out with our bills when we can no longer work.

Medicare is designed to help us pay for a doctor when we get sick or injured.

Federal Income Taxes pay for things like the military that keeps all of us safe, or NASA that helps us learn and discover new things.

State Income Taxes – NOT IN TEXAS

Sales Taxes are how we pay for our roads and bridges and state parks and volunteer firefighters!

And Property Taxes are what we pay when we own land, a home, or a business, and they make sure we all get to learn in a safe environment for free!

Thank you for watching, now that you've learned more you can go out and live more!