

MIXED REVIEW

- At the beginning of a monthly billing period, Albert's Mastercard balance was \$385. The monthly finance charge was 1.7% of the amount owed. His bank required him to pay at least 15% of his unpaid balance or \$25, whichever was larger. If he always paid the minimum required amount and made no additional purchases, in how many months did Albert reduce his balance to below \$200?

Find the break-even premium for a 1-year term insurance policy for each indicated individual. Assume that the direct and indirect expenses for issuing one policy are \$20.

- A \$100,000 policy for a person with a life expectancy of 99.750%
- A \$200,000 policy for a person with a life expectancy of 98.950%

Use the prices per share shown below to find the number of shares of stock you can afford to purchase if you have \$50,000 to invest in each of the following companies. Also, find the total cost of the shares in each company. Round all money amounts to the nearest penny. Remember that you cannot purchase part of a share of stock. Ignore transaction costs such as brokerage commissions.

	Company	Price per Share	Number of Shares	Total Cost
4.	BullyPulp	\$ 97		
5.	ElbGrs, Inc.	$18\frac{3}{4}$		
6.	Strm&Drng	$210\frac{3}{8}$		

Use the Tax Table in the Reference Section to find the taxes owed on each of the following incomes.

	Filing Status	Taxable Income	Tax Owed
7.	Married, Filing Jointly	\$68,500	_____
8.	Single	17,800	_____

- Suppose that your family's take-home pay is \$4100 per month. How much can you afford to spend for credit-card payments each month?
- The company wants to sell a 1-year term policy to a 45-year-old person and to keep the premium below \$600. Assume that the expenses are \$30 per policy and that the profit on the policy is \$75. What would be the largest possible face value of such a policy?
- If you earn \$83,500 per year, how much do you pay in Social Security and Medicare taxes?
- If you earn \$142,500 per year, how much do you pay in Social Security and Medicare taxes?

CHAPTER 9 REVIEW

1. What does the term *filing status* mean?
2. May a person with taxable income over \$100,000 use the tax table? If not, how does such a person find out how much tax he or she owes?
3. How does having dependents affect the amount of taxes that people pay?

Use the Tax Table in the Reference Section to find the tax owed each of the following incomes.

	Filing Status	Taxable Income	Tax Owed
4.	Single	\$26,450	
5.	Married, filing jointly	87,000	
6.	Married, filing separately	8,490	
7.	Head of household	38,400	
8.	Single	1,256	
9.	Married, filing jointly	19,500	

Use Tax Rate Schedules X and Y-1 in the Reference Section and the formulas on page 416 of Lesson 9-1 to find the tax owed on each of the following incomes.

	Filing Status	Taxable Income	Tax Owed
10.	Single	\$150,000	
11.	Married, filing jointly	108,000	
12.	Married, filing jointly	121,347	
13.	Single	106,734	

Find the yearly income, the taxable income, the taxes owed, and the amounts to be withheld annually for the incomes described below. Use a deduction of \$3600 for a single person, \$6000 for a married couple, and \$5250 for a head of household. Each exemption is \$2300. Assume that the married couple is filing a joint return and that the head of household is single. Use the Tax Table in the Reference Section.

	Filing Status	Monthly/ Yearly Income	Number of Exemptions	Taxable Income	Tax Owed	Withholding Allowances		Refund (+) or Money Owed (-)
						Number	Annual Amount	
14.	Single	\$ 655/	1	\$1960		1		
15.	Married	\$ 940/	3			2		
16.	Single	\$1000/	1			2		
17.	Head of Household	\$4450/	4			4		

Fill out a 1040EZ form for each of the following incomes to determine the amount owed or refund due to the nearest dollar. Assume that there is no taxable interest. For each exercise, make up a name and address. All of the people are single. You may choose whether or not to contribute to the election campaign fund; this choice will not affect anything else you fill out. The standard deduction amount for line 4 will be \$3600 unless the adjusted gross income from line 3 is less than that.

	Wages, Salaries, and Tips	Interest	Amount Withheld	Can Be Claimed as a Dependent by Someone?
18.	\$22,400	\$350	\$2460	No
19.	5,671	97	823	No
20.	12,500	290	2528	Yes
21.	18,600	350	3440	Yes

22. Fill out a 1040A Form for the following married couple filing jointly to determine the amount owed or refund due to the nearest dollar. Their Social Security numbers are shown in parentheses.

(321-45-3660) (544-36-1565)
 Frederick and Patricia Moore
 222 Beachfront Lane
 Memphis, Tennessee 38132

Wages: Frederick, \$23,026.75
 Patricia, \$22,617.16

Withheld: from Frederick, \$4217
 from Patricia, \$4431

Dependents:

William, age 3 (534-56-8567)

Arthur, age 12 (574-24-6149)

David, age 15 (422-22-7469)

Interest income: \$254

Dividend income: \$195

23. Fill out Form 1040 for the following married couple filing jointly to determine their adjusted gross income, their total itemized deductions, and their tax owed or refund due to the nearest dollar. The numbers in parentheses are Social Security numbers. Use Schedule A for itemized deductions. Assume no tax penalty is owed.

(284-11-6997) (492-22-6451)
 Alex and Jennifer Robertson
 496 Jefferson Ave.
 Longmont, Colorado 80502

Wages: Alex, \$43,400
 Jennifer, \$22,000

Withheld: from Alex, \$5020
 from Jennifer, \$2392

Interest income: \$250

Dividend income: \$385

IRA for Alex: \$2000

Dependents:

Dorry, age 7 (551-33-1092)

Lorry, age 9 (493-44-0122)

Itemized Deductions:

Medical expenses: \$3500

Real-estate taxes: \$2900

Mortgage interest

on home: \$7595

Contributions: \$980

CHAPTER 9 TEST

Use the Tax Table in the Reference Section to find the tax owed by each of the following taxpayers.

1. A single person with taxable income of \$25,600
2. A married couple, filing jointly, with taxable income of \$36,450
3. A married person, filing separately, with taxable income of \$38,725
4. A head of a household with taxable income of \$2600

Use the Tax Rate Schedules in the Reference Section to find the tax owed by each of the following taxpayers.

5. A single person with taxable income of \$122,400
6. A married couple, filing jointly, with taxable income of \$178,650
7. Write a set of algebraic formulas for Tax Rate Schedule Z (for heads of households), which is found in the Reference Section.
8. Use one of the formulas from Exercise 7 to find the tax on a single parent with two young children. The family's total taxable income is \$107,550.

9. Fill out a Form 1040EZ for the taxpayer described below to determine the amount owed or refund due to the nearest dollar. He cannot be claimed as a dependent on another taxpayer's return.

(354-20-8238)

Nick Piocci Salary: \$16,780 per year
3821 Oak Avenue Interest income: \$235
Berwyn, Illinois 60402 Withheld taxes: \$1822

10. Fill out 1040A form for the following married couple who file jointly and have four dependents to determine the amount owed or refund due to the nearest dollar. Fiala is blind; neither Miguel nor Fiala is over 65. To make a decision concerning the deduction on line 34, use the chart on page 422.

(102-00-9812) (324-57-3214)

Miguel and Fiala Ferguson
2325 Ski Slope Drive Interest income: \$250
Red River, New Mexico 84222 Dividend income: \$320
Miguel earns \$34,222 Withheld taxes: \$3564
Fiala does not work. IRA deduction (Miguel): \$1800

11. Suppose that in Exercise 10, the Fergusons have the following expenses.

Medical expenses: \$8240 State income tax payments: \$2400
Real estate taxes: \$1500 Charitable contributions: \$750

Find the Fergusons' adjusted gross income, total itemized deductions, and tax owed or refund due to the nearest dollar using Form 1040 and Schedule A. To compute the standard deduction on line 19, use the chart on page 422. (You may ignore the directions concerning page 35 of the tax booklet.) Does the family benefit by using Form 1040 instead of Form 1040A? If so, by how much?

CUMULATIVE REVIEW

Molly is considering each of the following employment opportunities.

Company	A	B	C
Salary	\$42,500	\$48,000	\$38,800
Retirement benefits	4.0% of gross pay	3% of gross pay	4.5% of gross pay
Medical insurance	\$60/month	\$50/month	\$56/month
Educational expense	\$450/year	\$900/year	\$1400/year
Travel allowance	\$1900/year	\$200/month	\$450/month

1. Calculate the total amount of money being offered, including fringe benefits for each position.
2. Determine which of the three positions offers the most money.

Three students plan to sell souvenir umbrellas at the school football game. Their cost for 30 umbrellas is as follows.

Labor	25 hours at \$4.50 per hour
Materials	umbrellas at \$5.50 each
Advertising, energy, and transportation	\$36.50

3. Find the cost of producing the 30 umbrellas.
4. What price should they put on the umbrellas in order to make \$100 in profit?

Complete the chart below that shows one month's activity in a MasterCard account. Then find the quantities asked for in Exercises 5–7. Assume that the monthly finance charge is 1.5%.

Dates	Payment	Balance at End of Day	Number of Days	Sum of Daily Balances
1/1–1/8	0.00	\$1549.50	8	\$12,396.00
1/9	\$183.00	1366.50		
1/10–1/31	0.00	1366.50		

5. Average daily balance
6. Finance charge
7. Ending balance

Use the formula for the Future Value of a Periodic Investment on page 344 of Lesson 7–3 to answer Exercises 8–9.

8. If you contribute \$2000 to an IRA account that pays 11% a year beginning at the age of 20, how much will you have in your account at age 60?
9. If you begin contributing to your IRA at the age of 30, how much less will you have in your account at the age of 60 than you would have if you had begun your contributions at the age of 20?

Use the Tax Table or the Tax Rate Schedule in the Reference Section to find the taxes for the following taxpayers.

10. A single taxpayer with a taxable income of \$151,000
11. A head of household with a taxable income of \$92,500

PROJECT 9-1: State Income Taxes

1. Use reference books (such as a world almanac) to find the methods different states use to determine how much state income tax their residents pay.
2. Evaluate the methods of determining state income taxes to find out in which states people pay the highest taxes.
3. Find out in which states people pay the lowest taxes.
4. Devise a way to report your findings in an interesting way. Show the five highest, the five lowest, the most unusual, and so on. Or make a bar graph comparing the income tax rates in different states.

Extensions

1. Make up some problems based on your findings to calculate the state income taxes for people making the same salaries but living in different states. Have your classmates solve some of the problems.
2. Find which cities have income taxes and what their rates of taxation are.
3. Discuss with your classmates some reasons why some states have higher income taxes than others.

PROJECT 9-2: The History of Income Taxes

Work with a group of classmates to complete this activity. Use reference books (such as encyclopedias, history books, and political science books) to find out when federal income taxes were first introduced in the United States.

1. What is the name of the law that made federal income taxes legal?
2. Why and how was it passed?
3. When was the Internal Revenue Service established?
4. Who administers the Internal Revenue Service?
5. How are changes in tax laws made?
6. Do income taxes in fact strictly conform to the “earn more, pay more” principle?

Extensions

1. Organize a debate with your classmates to argue the pros and cons of federal income taxes. Also include how the taxes could be made more equitable.
2. Investigate income tax laws of other countries in the world.
3. Calculate what percent of income the average American pays in taxes—include federal, state, city, county, and social security taxes.