



Discussion Guide

Tax Simulation: Understanding Taxes™

OVERVIEW

This guide provides discussion questions to augment the course *Tax Simulation: Understanding Taxes*. This guide provides prompts that could spark meaningful discussions about taxes and how to file them. For additional classroom instructional material, please see course lesson plans.

DISCUSSION FOR CORE SIMULATION: Filing Your Taxes

Overview: The purpose of this simulation is to create an experience of filing a simple tax return electronically. During this simulation, students help a character named Carlos file his taxes electronically while learning how online tax preparation software can be helpful, secure, and effective.

Learning Objectives: *Students will be able to...*

- Understand the importance of filing taxes.
- Explain the difference between deductions and credits.
- Understand the steps and requirements for preparing taxes.

DISCUSSION QUESTIONS

Before Simulation:

Q1: What do you know about preparing and filing taxes?

- Responses may vary.

Q2: How does your family usually file their taxes?

- Responses may include filing online or using an accountant or professional tax service.
- Note: Students may not know the answer to this question.

Q1–Q3 Suggested Activity: Stop and Jot

Procedure: Students write a response to each question individually. Remind them that you will not collect their writing, but they may share it now or after they have completed the simulation.

Q3: Rate how difficult you know, or you think preparing and filing your taxes is (1 being very easy and 10 being very difficult).

- Responses may vary.

After Simulation:

Q4: Revisit the questions students answered before completing the core simulation. Have students answer the following questions, explaining that there are no right or wrong answers:

- Do you feel you have a better understanding of how to prepare and file your taxes?
- What was new or surprising about the tax preparation process?
- Is there any information from this first simulation that you would like to share with your family?
- How would you rate the difficulty in preparing and filing your taxes now?
- What additional questions do you have?

Q4 Suggested Activity: Think-Pair-Share

Procedure: Have students take time to think about each question. Direct them to find a partner to discuss their initial ideas with, and then share their conclusions.

DISCUSSION FOR OPTIONAL SIMULATION: Tax Credits for Families

Overview: In this simulation, students help a character named Martin claim more tax credits for his family through the Earned Income Tax Credit (EITC) by better understanding who in his household can claim him as a dependent.

Learning Objectives: *Students will be able to...*

- Understand the purpose of the EITC.
- Identify who is a dependent based on IRS criteria.
- Explain the benefits of the EITC.

DISCUSSION QUESTIONS

Before Simulation:

Q1: What is a tax credit?

- A tax credit is an amount of money taxpayers can claim on their taxes to reduce the amount of money they owe.

Q2: What is a dependent when it comes to taxes?

- Responses may vary.

Q1–Q2 Suggested Activity: Stop and Jot

Procedure: Have students write a response to each question individually. Remind them that you will not collect their writing, but they may share it now or after they have completed the simulation.

After Simulation:

Q3: What is a tax credit?

- A tax credit is an amount of money taxpayers can claim on their taxes to reduce the amount of money they owe.

Q4: What is a dependent when it comes to taxes?

- A dependent refers to someone who is supported financially by another person. To be considered a dependent, you must have at least 50% of your living expenses be paid for, live in the same household for at least 6 months of the year with your financial supporter and either be disabled or be a child under the age of 19 (or under 24 years old and as a full-time student) who is an immediate family member or descendant. Step relatives and adopted family members are included in this definition.

Q5: How will Martin's actions with filing his taxes help his family?

- Martin will help his family by showing them how to claim more tax credits using the EITC when they file their taxes.

Q3–Q5 Suggested Activity: Think-Pair-Share

Procedure: Have students take time to think about each question. Direct them to find a partner to discuss their initial ideas with, and then share their conclusions.

DISCUSSION FOR SIMULATION: Taxes for Gig Workers

Overview: The purpose of this simulation is to help a character named Chinwe file her taxes as a gig economy worker using a 1099-NEC form and make estimated tax payments going forward. Students will become familiar with independent or contract work tax implications including paying estimated taxes for the upcoming year.

Learning Objectives: *Students will be able to...*

- Define gig economy.
- Identify differences between contract work income and full employment income.
- Explain the need for self-employed workers to pay taxes quarterly.

DISCUSSION QUESTIONS

Before Simulation:

Q1: How is working as a gig economy worker different from other jobs?

Q2: How do gig economy workers deal with paying taxes?

- Responses may vary.

Q1–Q2 Suggested Activity: Stop and Jot

Procedure: Have students write a response to each question individually. Remind them that you will not collect their writing, but they may share it now or after they have completed the simulation.

After Simulation:

Q3: What are estimated tax payments?

- The amount of money that self-employed workers must pay in taxes four times a year.

Q4: How would you explain the pros and cons of working as a gig economy worker as it relates to paying taxes? Is it worth it?

- Gig economy workers don't get taxes taken out of paychecks, so they need to plan to pay taxes themselves. The larger paycheck may give them a false sense of their overall financial wellness.

Q3–Q4 Suggested Activity: Think-Pair-Share

Procedure: Have students take time to think about each question. Direct them to find a partner to discuss their initial ideas with, and then share their conclusions.

DISCUSSION FOR SIMULATION: Taxes for Students

Overview: The purpose of this simulation is to help explain the 1098-T Tuition Statement form that is produced by universities for tax purposes. Students will help a character named Dana file their taxes and determine if they need to include the 1099-Q for 529 education savings plans disbursements or the 1098-E form for student loan interest paid.

Learning Objectives: *Students will be able to...*

- Explain the purpose of the 1098-T form.
- Identify education expenses that can be claimed on taxes.
- Explain who can claim education tax deductions.

DISCUSSION QUESTIONS

Before Simulation:

Q1: What types of taxes do full-time students need to pay?

- Responses may vary.

Q2: Are there any higher education costs that are not taxed?

- Responses may vary.

Q1–Q2 Suggested Activity: Stop and Jot

Procedure: Have students write a response to each question individually. Remind them that you will not collect their writing, but they may share it now or after they have completed the simulation.

After Simulation:

Q3: What are some tax related issues that full-time students need to be aware of when preparing their taxes?

Q3–Q4 Suggested Activity: Think-Pair-Share

Procedure: Have students take time to think about the question. Direct them to find a partner

- There are some educational expenses that can be claimed as credits for tax purposes.

Q4: Who should students contact if they are missing tax related forms at the end of the year?

- The institution of higher learning that they are attending.

to discuss their initial ideas with, and then share their conclusions.

DISCUSSION FOR SIMULATION: Taxes for Investments and Cryptocurrency

Overview: The purpose of this simulation is to highlight how investments like interest bearing savings accounts, stock dividends, and cryptocurrency are reported to the IRS for tax purposes. Students will help a character named Ailani file her taxes and determine how to report cryptocurrency purchases and earnings from stocks to the IRS.

Learning Objectives: *Students will be able to...*

- Identify sources of income that need to be declared to the IRS.
- Explain the purpose of the 1099-INT form.
- Explain how cryptocurrency is reported to the IRS.

DISCUSSION QUESTIONS

Before Simulation:

Q1: What are some examples of investments that you think may be taxed?

- Responses may vary.

Q2: When are investments like savings accounts, stock dividends and cryptocurrency taxed?

- Responses may vary.

Q1–Q2 Suggested Activity: Stop and Jot

Procedure: Have students write a response to each question individually. Remind them that you will not collect their writing, but they may share it now or after they have completed the simulation.

After Simulation:

Q3: When are investments like savings accounts, stock dividends and cryptocurrency taxed?

- Taxes on investments are based on earnings like dividends and earned interest. Cryptocurrency is only taxed when it is sold, traded or converted to other currencies.

Q3–Q5 Suggested Activity: Think-Pair-Share

Procedure: Students take time to think about the question. They find a partner to discuss their initial ideas with, and then share their conclusions.

Q4: What forms or steps must you take when reporting investments while filing taxes?

- Tax forms related to interest earnings and dividend payments will be sent from the financial institution where you have your accounts. You will need to keep track of all cryptocurrency transactions yourself.