Name _____ Date _____

Assessment

Theme 4: What Is Taxed and Why
Lesson 2: Taxes in a Market Economy

Part 1

Match the clues with the correct term. Write the letters of the correct terms on the lines provided.

Answer Key:
A. businesses
B. increases
C. households
D. decreases
E. government

____ 1. Who relies on tax revenue from the market economy?

____ 2. Who do businesses provide jobs and income for in exchange for labor?

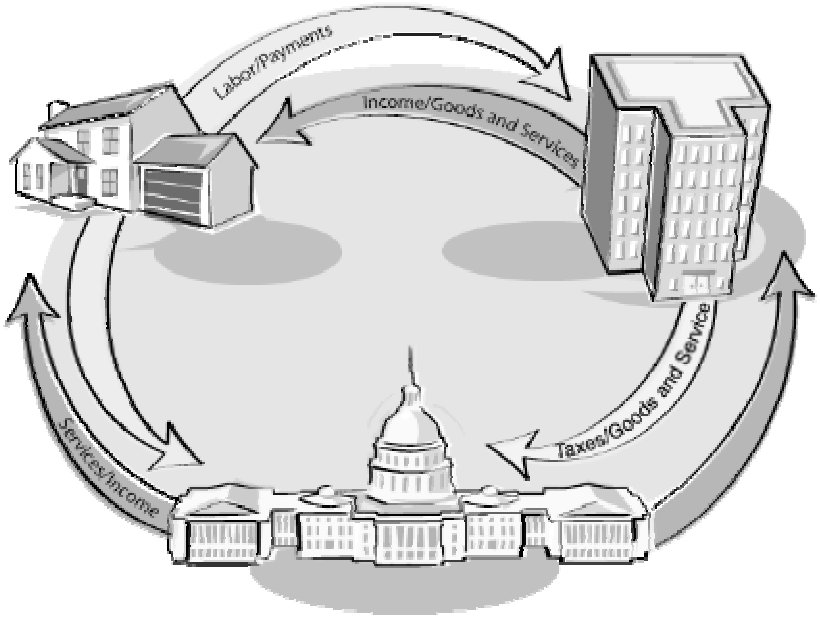
____ 3. In addition to households, this group also is required to pay income taxes.

____ 4. What generally happens to income tax revenue when incomes go up?

____ 5. What happens to sales tax revenues when consumers purchase less?

Part 2

Complete the circular flow model shown below by filling in the blanks.



Part 3

Match each item below with the sector it best describes. Write the letters of the correct sectors on the lines provided. Sectors can be used more than once.

Answer Key:
A. business
B. government
C. household

____ 1. Earns income and purchases goods and services

____ 2. Provides services and collects taxes

____ 3. Collects taxes and uses labor

____ 4. Supplies labor and makes payments

____ 5. Pays taxes and provides goods and services