



Financial Literacy with Mr. 401(k)
Spring Term 2026
March 30, 2026

Making & Spending
Money

Class 9: Taxes – the Cost of Freedom



Monday Money Matter\$

Logan Paul sold a rare Pokémon card for over \$16 million in February 2026. This was the most expensive trading card ever sold at auction. Some of the rarest Pokémon cards have increased in value faster than the stock market. Spending on trading cards like Pokémon jumped 350% between 2020 and 2025.

What makes them so valuable? Scarcity (very few exist), condition (a perfect quality rating is worth far more than a damaged card), and demand from collectors willing to pay top dollar.

The takeaway: assets can be anything with value, even a Pokémon card. We'll explore this more when we get to our class on Assets.

Source: CNBC; <https://www.cnbc.com/2026/03/29/pokemon-card-values-rise-logan-paul-pikachu-auction.html>; Reference Date: March 29, 2026



Class Discussion

If a Pokémon card can be worth \$16 million, what makes something valuable? Is that the same thing as being useful?

Freedom is Not Free

Operating our government costs money to pay for...



Employees & Education

Salaries of government employees like firefighters, police officers, and public-school teachers, among others.



Infrastructure

Construction and maintenance of airports, bridges, roads, shipping ports, and other infrastructure.



Military

An air force, army, marine corps, navy, and space force to defend the nation, protect allies, and help to preserve peace throughout the world.



Social Services

Social programs and public services to those eligible, such as income security, Social Security, Medicare, and veterans' benefits.



Class Discussion

*Does our
government
earn money by
selling products
or services?*



Class Discussion

If the government doesn't sell products, how does it pay for what it spends?

Governments Finance their Spending through...



Borrowing

The U.S. Government is the world's largest borrower. The U.S. National Debt is over \$39 trillion. The U.S. Government borrows by issuing bonds, which are purchased by investors.



Fees

Governments may charge fees for certain services (ex. vehicle licensing). This is typically a small part of total government income.



Inflation

Inflation can benefit borrowers with high fixed rate debt, like the U.S. Government. U.S. Dollars lose value over time. The government repays debt with dollars that buy less than when they borrowed them.



Taxes

This is the largest form of government income. Governments can tax anything. People are obligated to pay taxes or suffer the consequences.

What Are Taxes?

Think of them as forced payments to cover shared services



Taxes

Taxes are **mandatory payments** collected by governments: local, state, and national. These payments help to cover the costs of government services and programs intended to benefit the people.



When You Make Money

*Government takes portions of **YOUR** income*

You earn \$500 from your part-time job. Your employer withholds a portion for income tax and payroll tax before you get your paycheck. You only take home about \$440.

This is why your net pay is always less than your gross pay.



When You Spend Money

*Government adds charges to **YOUR** purchase*

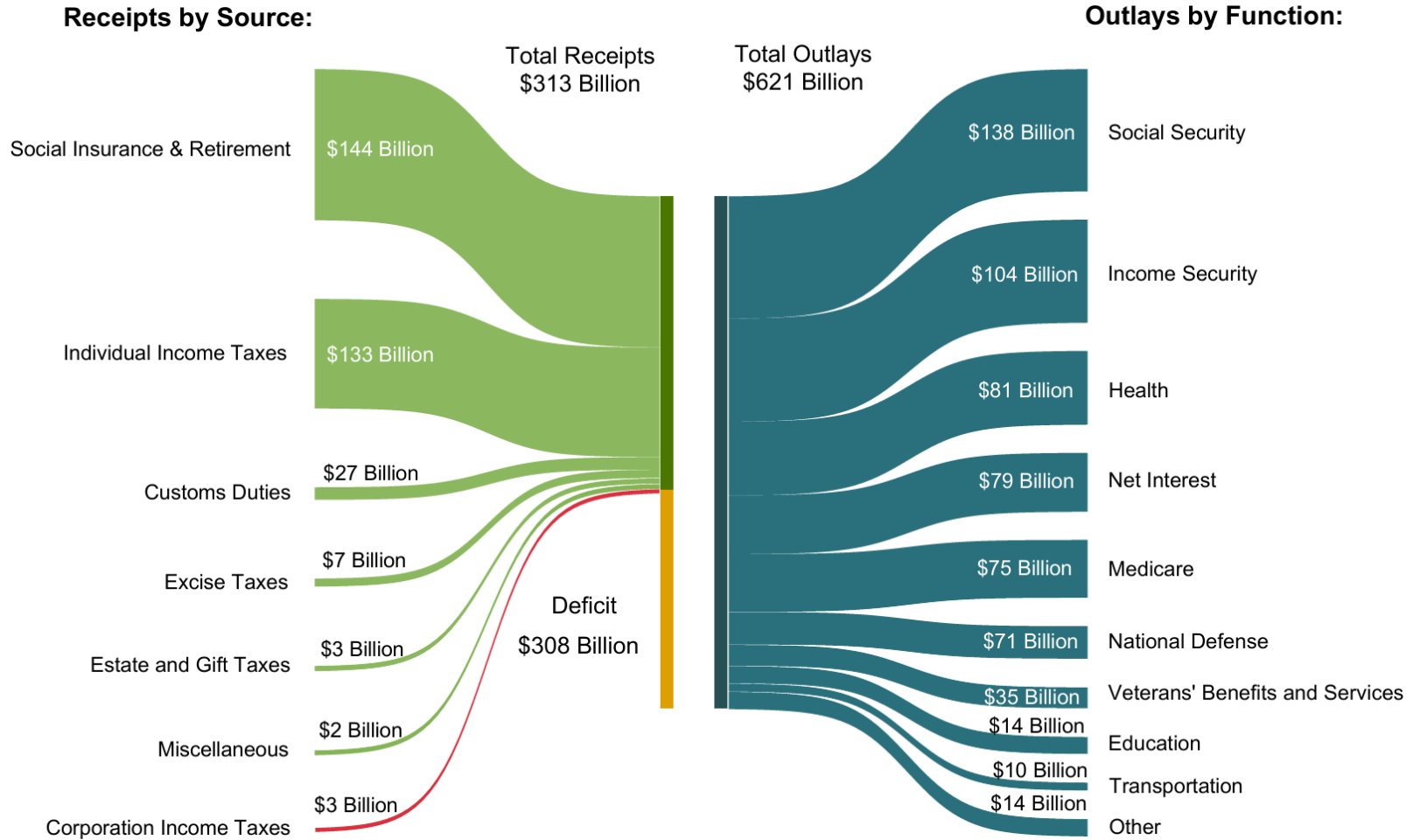
You buy a \$50 video game. The store adds sales tax (e.g., 10%) at checkout, so you actually pay \$55. The store sends that extra \$5 to the government.

Sales tax increases the total cost of everything you buy.

The U.S. Government Spent \$308 Billion more than it received!



Federal Government Receipts and Outlays for February 2026



Source: [Monthly Treasury Statement February 2026](#)

U.S. Government Outlays & Receipts

Visualizing the scale of federal government spending



Last fiscal year, the U.S. Government had...

\$7.01 Trillion of outlays, and

\$5.23 Trillion of receipts

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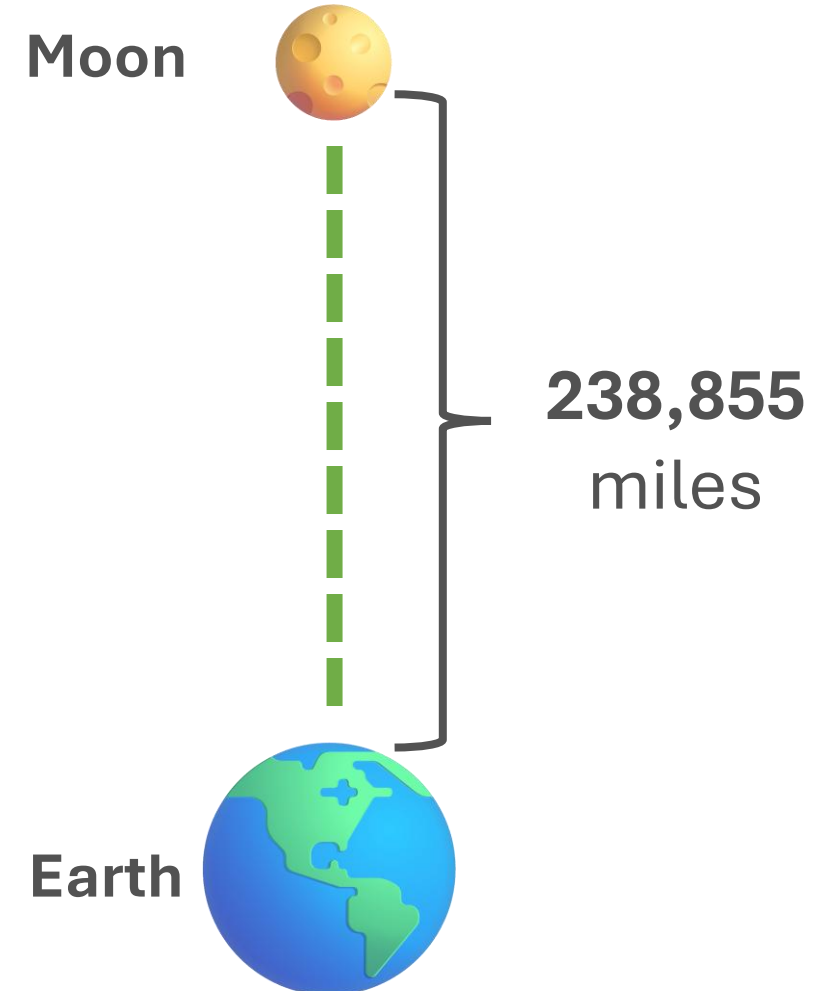
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\$1 bills stacked to **\$7.01 Trillion = 475,740 miles tall**.

That's almost **TWICE** the **distance to the Moon!**

Source: [Monthly Treasury Statement September 2025](#)



Examples of Common Taxes



Excise Tax

Taxes on specific goods like alcohol or tobacco



Income Taxes

Taxes on your income, including wages and capital gains



Estate Tax

Taxes on the estate of a deceased person



Payroll Tax

Taxes on wages and salaries paid through an employer's payroll.



Property Taxes

Taxes on the property you own



Sales Tax

Taxes on what people buy

Practical Application

Sales taxes increase total cost of purchases. In your Money Journals, calculate the tax and total cost of the following:



Mocha

Price:	\$5.95
Tax Rate:	10.0%
Tax:	?

Total Cost

?



Cheeseburger Meal

Price:	\$8.95
Tax Rate:	8.0%
Tax:	?

Total Cost

?



Jacket

Price:	\$99.95
Tax Rate:	10.5%
Tax:	?

Total Cost

?

Practical Application Answers

Sales taxes increase total cost of purchases. In your Money Journals, calculate the tax and total cost of the following:



Mocha

Price:	\$5.95
Tax Rate:	10.0%
Tax:	\$0.60

Total Cost
\$6.55



Cheeseburger Meal

Price:	\$8.95
Tax Rate:	8.0%
Tax:	\$0.72

Total Cost
\$9.67



Jacket

Price:	\$99.95
Tax Rate:	10.5%
Tax:	\$10.49

Total Cost
\$110.44

Practical Application

In your Money Journals, answer the following questions:

Sales Tax on a Smartphone 📱

A student saved \$800 to purchase a smartphone. The smartphone costs \$795. The government assesses a 10% sales tax rate. Can the student afford the smartphone after sales tax is added?

Income Tax on Part Time Job 💰

A student works part time at a fast-food company. The student earned \$20 per hour and worked 25 hours. Income taxes of 10% are withheld from the student's pay. How much income tax was taken out of the student's paycheck?

Total Income Taxes Owed for the Year 💰

A student earns income from an internship and from childcare services. The student's taxable income is \$15,000. The income tax rate is 10% up to \$11,000, plus 12% on the income over \$11,000. How much income taxes does the student owe?

Practical Application Answers

In your Money Journals, answer the following questions:

Sales Tax on a Smartphone 📱

Smartphone:	\$795
Tax Rate:	10%
Sales Tax:	\$79.50

Total Cost

\$874.50

No.

$\$874.50 > \800 saved

Income Tax on Part Time Job 💰

Hourly Rate:	\$20
Hours Worked:	25
Gross Pay:	\$500
Tax Rate:	10%

Income Tax Withheld

\$50

Total Income Taxes Owed for the Year 💰

Taxable Income:	\$15,000
10% on first \$11K:	\$1,100
12% on next \$4K:	\$480

Total Tax Owed

\$1,580

Effective Rate: **10.5%**

Do Not Ignore Tax Effects

You need to make more money than you think to afford things!

Retail Price

Gaming Computer



A student wants to purchase a high-end gaming computer that has a retail price of \$3,995.

Computer Price =

\$3,995

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Retail Price

Gaming Computer



A student wants to purchase a high-end gaming computer that has a retail price of \$3,995.

Computer Price =

\$3,995

After Sales Tax

\$420 More!



At a 10.5% sales tax rate, the total retail cost of the gaming computer is...

$\$3,995 \times 1.105 =$

\$4,415

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At a 10.5% sales tax rate, the total retail cost of the gaming computer is...

$\$3,995 \times 1.105 =$

\$4,415

Required Gross Income

\$491 More!



At a 10% income tax rate, to have net income of \$4,415, the student needs gross income of...

$\$4,415 \div 0.90 =$

\$4,906

Money Mavericks

Objective: Work together in your Money Mavericks Workgroups to calculate the total income tax owed in your assigned scenario. Use the information provided, show your calculations, and be ready to explain your solution to the class.



Alpha: Money Mavericks Tax Activity

Elena's Childcare Business



Scenario: Elena has three sources of income: Babysitting: \$8,000 (earned income), Interest from her savings account: \$12 (passive income), Stock sale: Sold 1 share of SPY after 2 years: \$640 cost basis with \$720 in proceeds (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Elena earned money from babysitting, a little interest from savings, and a small profit from selling a stock she held for two years. How much income tax does Elena owe in total?

Beta: Money Mavericks Tax Activity

Riley's Yard Care Services



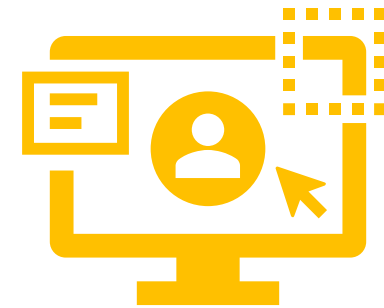
Scenario: Riley has three sources of income: Yard care services: \$6,000 (earned income), Interest from savings account: \$20 (passive income), Sold 1 share of AAPL after 1.5 years: \$130 purchase price, sold for \$160 (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Riley earned money from yard care services, a little interest from savings, and a small profit from selling a stock held for 1.5 years. How much income tax does Riley owe in total?

Gamma: Money Mavericks Tax Activity

Marco's Graphic Design Side Hustle



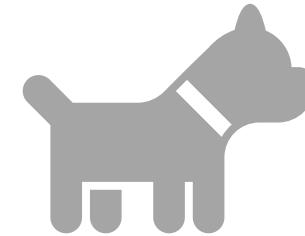
Scenario: Marco has three sources of income: Graphic design projects: \$7,000 (earned income), Interest from savings: \$25 (passive income), Sold 1 share of TSLA after 6 months: \$500 cost basis with \$580 proceeds (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Marco earned money from a graphic design side hustle, a little interest from savings, and a small profit from selling a stock held for 6 months. How much income tax does Marco owe in total?

Delta: Money Mavericks Tax Activity

Sophia's Pet Sitting Empire



Scenario: Sophia has three sources of income: Pet sitting services: \$5,500 (earned income), Interest from her savings account: \$18 (passive income), Sold 1 share of MSFT after 3 years: \$280 cost basis, sold for \$340 (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Sophia earned money from pet sitting, a little interest from savings, and a small profit from selling a stock she held for three years. How much income tax does Sophia owe in total?

Epsilon: Money Mavericks Tax Activity

Jordan's Music Lesson Business



Scenario: Music lessons (guitar & piano): \$9,000 (earned income), Rental income from renting out a storage unit: \$600 (passive income), Sold 1 share of AMZN after 4 months: \$180 cost basis, sold for \$210 (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Jordan earned money from teaching music lessons, some rental income, and a small profit from selling a stock held for 4 months. How much income tax does Jordan owe in total?

Zeta: Money Mavericks Tax Activity

Taylor's Tutoring Services



Scenario: Math and science tutoring: \$7,500 (earned income), Interest from a savings account: \$30 (passive income), Sold 1 share of GOOG after 14 months: \$150 cost basis, sold for \$185 (portfolio income)

Tax Rates: 5% income tax rate on capital gains of 1-year or more; 10% ordinary income tax rate for all other income

Question for the Group: Taylor earned money from tutoring, a little interest from savings, and a small profit from selling a stock held for 14 months. How much income tax does Taylor owe in total?



Three Key Takeaways

1. Taxes help the government pay for essential services, like schools, roads, and public safety.
2. Different types of taxes serve different purposes and apply to different activities, like making money or buying things.
3. Learning to estimate taxes—like sales tax or income tax—can help you plan your budget and make smarter financial choices.



Where to Learn More

- [Federal Revenue: Where Does the Money Come from](#) by National Priorities Project
- [Tax Definition: What is a Tax? Why Do We Pay Taxes?](#) By the Tax Foundation
- [Teens and Income Taxes](#) by Logan Allec

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Learn it. Earn it. Own it. Grow it.

Teaching young people how
money really works

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