

NAME: _____

DATE: _____

ACTIVITY

How Much Does That Cost?

What + Why: From paychecks to price tags, find out where the money really goes.

When people earn money, they don't keep all of it—some goes to taxes that help fund public services. In this activity, you'll look at average U.S. income and the average amount paid in taxes to see how earnings and deductions compare.

Because states and local governments make different tax decisions, two people purchasing the same item will likely spend different amounts, based on their location. As you work with a partner, pay attention to what stands out, what surprises you, and what patterns you notice.

Supporting Materials:

Graphs and Map Raw Data (PDF)

Instructions:

1. With a partner, review the graphs showing the average American income and the average amount paid in taxes.

- **Average American Middle Class Income**



Average family taxes by family income percentile, 2021

■ All taxes (federal, state, local)

■ Federal taxes only

Source: [USAFacts analysis of IRS and Census Bureau data](#)

- **Average Amount of Taxes Paid**



Average family market income by family income percentile, 2021

Source: USAFacts analysis of IRS and Census Bureau data

2. Don't worry about specific numbers. What patterns do you see? What stands out to you about the relationship between income and taxes?
3. Next, use the State and Local Sales Tax Rates (see map on next page or reference the Graphs and Raw Data PDF) to look up the sales tax rate and determine the final price of a \$40 hoodie in:
 - California
 - Alaska
 - One state of your choice
4. Compare the final prices. What do you notice about the differences?
5. What do you notice about how taxes affect both earnings and the price of the same item, and what questions does that raise for you?

Be ready to share one observation and one question with the class.

2026 Sales Tax Rates Sales Taxes by State

Combined State & Average Local Sales Tax Rates, January 2026

Source: [Sales Tax Clearinghouse](#); Tax Foundation calculations; State Revenue Department websites.

