Where Taxes Go

Match taxes at each level of government to the services they fund.

USG.C.7.1.C "Identify the types and purposes of taxation that are used by local, state, and federal governments to fund public services."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each named tax, circle its level of government, and draw an arrow from each tax to one service or program it helps fund.

A Storm, a Budget, and a Tax Bill

1. After a storm, neighbors in Harbor City want the fire station ready and the public school repaired. The city and county need revenue to provide these local services. A property tax is charged on the assessed value of land and buildings, though the owner usually pays it. Local governments often use property tax revenue to support public schools, fire protection, and other nearby services. A renter may not receive a property tax bill, but the cost can still affect rent. Knowing who collects a tax and what it helps pay for makes a budget debate more precise.

2. When a family buys replacement supplies, it may also pay a state sales tax on taxable purchases. States use sales tax revenue for services such as state highways and public education. Many states also tax personal income, which generally means earnings such as wages. A state can use income tax revenue to support public services, including its court system. Sales tax depends on taxable spending, while income tax depends on taxable income. States set their own tax rules, so rates and exemptions differ. A state may share some tax revenue with local governments, but the tax is still collected under state law.

3. Federal taxes help pay for services and programs that cross state lines. The federal individual income tax is based on taxable income and helps fund a broad range of expenses, including national defense and disaster response. Federal payroll taxes are taken from wages to help fund Social Security and Medicare, rather than the general budget for every service. Another federal tax, the excise tax on gasoline, is included in the price paid at the pump. Its revenue primarily goes into the Highway Trust Fund, which supports highways and public transportation. Different taxes can support different purposes, even when the same person pays them.

2 ANSWER WITH EVIDENCE

Use the passage

1. Which local tax could help Harbor City pay for fire protection, and what is it based on?

2. How do the two state taxes in the passage differ, and name one service each can support?

3. How do the purposes of the federal individual income tax and federal payroll taxes differ?

4. Which federal tax is included in the price of gasoline, and what does its revenue primarily support?

3 YOUR TURN

Your own words

Your community proposes a local public health clinic, your state expands public universities, and the federal government maintains national parks. Write three or four sentences naming one plausible tax type at each level and explaining how it could help fund that level's proposed service.

ANSWER KEY

Where Taxes Go

HIGH SCHOOL · USG.C.7.1.C

PART 1 · READ AND MARK

Underline each named tax, circle its level of government, and draw an arrow from each tax to one service or program it helps fund. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Which local tax could help Harbor City pay for fire protection, and what is it based on?	**A property tax could help pay for fire protection. It is based on the assessed value of land and buildings.**
2	How do the two state taxes in the passage differ, and name one service each can support?	**Sales tax depends on taxable purchases and can support state highways or public education. State income tax depends on taxable income and can support the court system.**
3	How do the purposes of the federal individual income tax and federal payroll taxes differ?	**The federal individual income tax helps fund a broad range of expenses, such as national defense and disaster response. Federal payroll taxes help fund Social Security and Medicare.**
4	Which federal tax is included in the price of gasoline, and what does its revenue primarily support?	**The federal excise tax on gasoline primarily supports highways and public transportation through the Highway Trust Fund.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A local property tax could help fund the community's public health clinic. A state sales tax could help pay for expanded public universities. The federal individual income tax could help fund the maintenance of national parks.

Accept other plausible tax types when the student correctly matches the government level and a use of that tax's revenue. For the open task, do not accept federal payroll taxes as a general source for national park maintenance.