

# Where Tax Money Goes

Trace revenue sources and public spending choices.

**CE.13.c** “describing how local, state, and federal governments allocate their budgets and collect taxes to pay for goods and services;”

NAME \_\_\_\_\_

DATE \_\_\_\_\_

## 1 READ AND MARK \_\_\_\_\_ Read it twice

**YOUR JOB** Underline every source of public money and circle every service or spending purpose. In the margin, label each paragraph L, S, or F to show the level of government.

### Three Levels, Shared Needs

- ① Local governments, such as a city or county, make budgets for nearby needs. A budget is a plan for how public money will be collected and spent. City leaders may use property taxes on homes and businesses, local sales taxes, fees, and aid from other governments. They allocate money to services such as police and fire protection, parks, libraries, roads, and trash collection. If revenue is limited, leaders must compare needs and decide which services receive more money that year.
- ② State governments create budgets that serve people across an entire state. State income taxes, sales taxes, business taxes, fees, and federal grants provide much of their revenue. Legislatures approve spending plans, while governors may propose a budget. States often allocate large amounts to public schools, colleges, highways, state police, health programs, and prisons. Some state money also goes to local school divisions or counties. A state budget shows priorities because spending more in one area can leave less for another area.
- ③ The federal government collects individual income taxes, payroll taxes that support Social Security and Medicare, corporate income taxes, and some other taxes and fees. Congress passes federal spending bills, and the president signs or vetoes them. Federal dollars pay for national defense, Social Security, Medicare, interest on the national debt, scientific research, and aid to states. Federal aid can help states and local governments pay for programs, but it may have rules about how the money is used. All three levels must match spending choices to available revenue and borrowing rules.

**2 ANSWER WITH EVIDENCE** \_\_\_\_\_ Use the passage

**1** Name two ways local governments in the passage collect money.

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**2** What are two services or programs that state governments may fund?

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**3** Name two federal tax sources and one purpose that federal dollars pay for.

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**4** What can federal aid do for state and local governments, and what condition may come with that aid?

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**3 YOUR TURN** \_\_\_\_\_ Your own words

Imagine your town is making a budget. Write four sentences that name two ways the town will collect money, name two services it will fund, and explain one spending choice the town makes because its money is limited.

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**PART 1 • READ AND MARK**

Underline every source of public money and circle every service or spending purpose. In the margin, label each paragraph L, S, or F to show the level of government. Accept any marking that follows this job and points at the right text.

**PART 2 • ANSWERS**

| # | QUESTION                                                                                            | ANSWER                                                                                                                                                                                                                                    |
|---|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Name two ways local governments in the passage collect money.                                       | <b>Any two: property taxes, local sales taxes, fees, or aid from other governments.</b>                                                                                                                                                   |
| 2 | What are two services or programs that state governments may fund?                                  | <b>Any two: public schools, colleges, highways, state police, health programs, or prisons.</b>                                                                                                                                            |
| 3 | Name two federal tax sources and one purpose that federal dollars pay for.                          | <b>Tax sources may include individual income taxes, payroll taxes, or corporate income taxes. Purposes may include national defense, Social Security, Medicare, interest on the national debt, scientific research, or aid to states.</b> |
| 4 | What can federal aid do for state and local governments, and what condition may come with that aid? | <b>Federal aid can help states and local governments pay for programs. It may have rules about how the money is used.</b>                                                                                                                 |

**PART 3 • YOUR TURN (SAMPLE ANSWER)**

Riverton will collect property taxes and a small local sales tax. It will spend money on road repairs and the fire department. Because a bridge needs repairs, Riverton will put more money into roads this year. The town will spend less on park equipment until revenue increases.

Accept reasonable local revenue sources and public services if the student clearly connects collected money to spending choices. The explanation should show that choosing more funding for one need can limit funding for another.