

Taxes & Revenue - Lesson Plan

Overview:

The U.S. government raises money primarily by collecting taxes set by the Whitehouse and Congress.

Objectives:

Students will be able to:

- Understand where the U.S. revenue comes from
- Identify the largest sources of income
- Note how taxes influence the economy

Background and Information:

- A tax is a sum of money demanded by a government levied on income, property, sales, etc.
- Revenue is the income of a government
- Governments raise revenue primarily by collecting taxes

Time:

45 Minutes

Materials:

- iPad
- Gods of Money** app
- Taxes & Revenue Worksheets

Educational Goals:

- To develop an increased understanding of how the U.S. economy works.
- To understand how the U.S. raises income

Activity: Revenue

I. LECTURE *10 minutes*

- A. The U.S. government raises money primarily by accessing taxes.
- B. The main taxes are:
 1. Personal income taxes
 2. Social Insurance and Retirement taxes, often called "Payroll" taxes
 3. Corporate income taxes
 4. Excise taxes
- C. The U.S. government gets most of its revenue from personal income taxes.
 1. Most personal income tax revenue comes from taxes on wages and salaries.

2. Taxes on passive income - interest, dividends, rental property income, etc. - is usually taxed at a lower rate.
 3. Payroll taxes pay for such things as Social Security, Medicare, and more.
 4. Corporate income taxes currently account for about 10% of revenue.
 - a) U.S. Corporate income taxes are high compared to other countries
 - b) Some U.S. companies keep profits in other countries to avoid paying taxes on them
 5. Excise Taxes are:
 - a) Collected typically from the manufacturer, not at the point of sale, so the buyer does not “see” them.
 - b) Collected on things like
 - (1) Alcohol
 - (2) Tobacco
 - (3) Ammunition
 - (4) Gasoline
 - (5) (All the fun things)
 - c) Often collected per unit (gallon of gasoline, pack of cigarettes, etc.) not by dollar amount.
 6. The U.S. government also gets revenue from other sources, including tariffs on imported goods, fees, and penalties.
- D. The U.S. does not collect a Value Added Tax, or VAT, as many countries do.
1. A VAT is like a sales tax that goes to the federal government.
- E. The Whitehouse and Congress set the federal tax rates.

II. DEMONSTRATION *15 minutes*

- A. On the iPad, open the **Gods of Money** app.
- B. Tap ‘Start’ Gods of Money.
- C. Tap ‘Watch’ historical data.
- D. Set the Start Date to **Jan 2015**.
- E. Tap ‘Start >’.
- F. When the budget appears, close it by tapping the checkmark (in the upper right).
- G. Tap the date (in the upper right) to pause the app.
- H. Tap the government box (in the center between the Businesses box and the Households box). The Revenue box appears.
 1. If the Revenue box is not visible, tap the government box.
- I. The Revenue box has a green outline.
- J. Note the red line outside of the Revenue box. The red line corresponds to the size of the expenditures for the year.
- K. Double-tap the government box (in the center between the Businesses box and the Households box) to show the Government - Revenue window.
 1. If the Government - Expenditure window appears:
 - a) Tap the checkmark (in the upper right) to close it
 - b) Single tap the government box to change it to Revenue
 - c) Double-tap the government box
- L. The Government - Revenue window shows graphically the 5 sources of revenue.
 1. Individual (or Person) income taxes
 2. Social Insurance and Retirement (or Payroll) taxes
 3. Corporate income taxes

4. Excise taxes
 5. Other (tariffs, fees, penalties, etc.)
- M. Each area of the Revenue window is proportional to the total revenue.
- N. Each icon represents 1% of income.
- O. Tap the checkmark (in the upper right) to close the Government - Revenue window.
- P. Look at the control panel (in the bottom portion of the Gods of Money display).
1. (Controls are disabled in Watch mode.)
- Q. Four of the controls are used to set the various tax rates.
1. Tariffs
 - a) Tariffs are taxes on imported goods.
 - b) Raising tariffs may anger countries that export their goods to the U.S. who may respond by raising their tariffs.
 - c) Tariffs make goods more expensive for U.S. consumers.
 2. Income Tax Rate
 - a) The average personal income tax rate.
 - b) Many people get breaks on their taxes because they can take certain deductions to lower their taxes.
 3. Corporate Tax Rate
 - a) The maximum corporate income tax rate
 - b) Many companies get breaks on their taxes because they can take certain deductions to lower their taxes.
 - c) U.S. corporate income taxes are very high compared to other countries.
 - d) Some companies avoid paying high U.S. taxes by merging with a foreign company, a process called "inversion."
 4. Excise Tax Rate
 - a) Taxes paid by the producer on certain things (alcohol, gasoline, etc.)
 - b) Included in the final price.
 - c) "Unseen" by the end buyer.
 - d) Expressed here as a percentage of GDP for simplicity.

III. IN-CLASS ASSIGNMENT *20 minutes*

- A. Pass out the **Taxes & Revenue Worksheets**, one per student.
- B. Have students follow the instructions on the worksheet:
 1. Start and run **Gods of Money** to find and record the Revenue percentage values and the Tax Rates for 1970 through 2010 at 10-year intervals.
 2. Create 2 line charts showing the change from 1970 - 2010 in:
 - a) Revenue
 - b) Tax Rates
 3. Use the values to answer the worksheet questions.

IV. HOMEWORK ASSIGNMENT *15 minutes*

- A. Assign students to complete the homework assignment on the worksheet.