

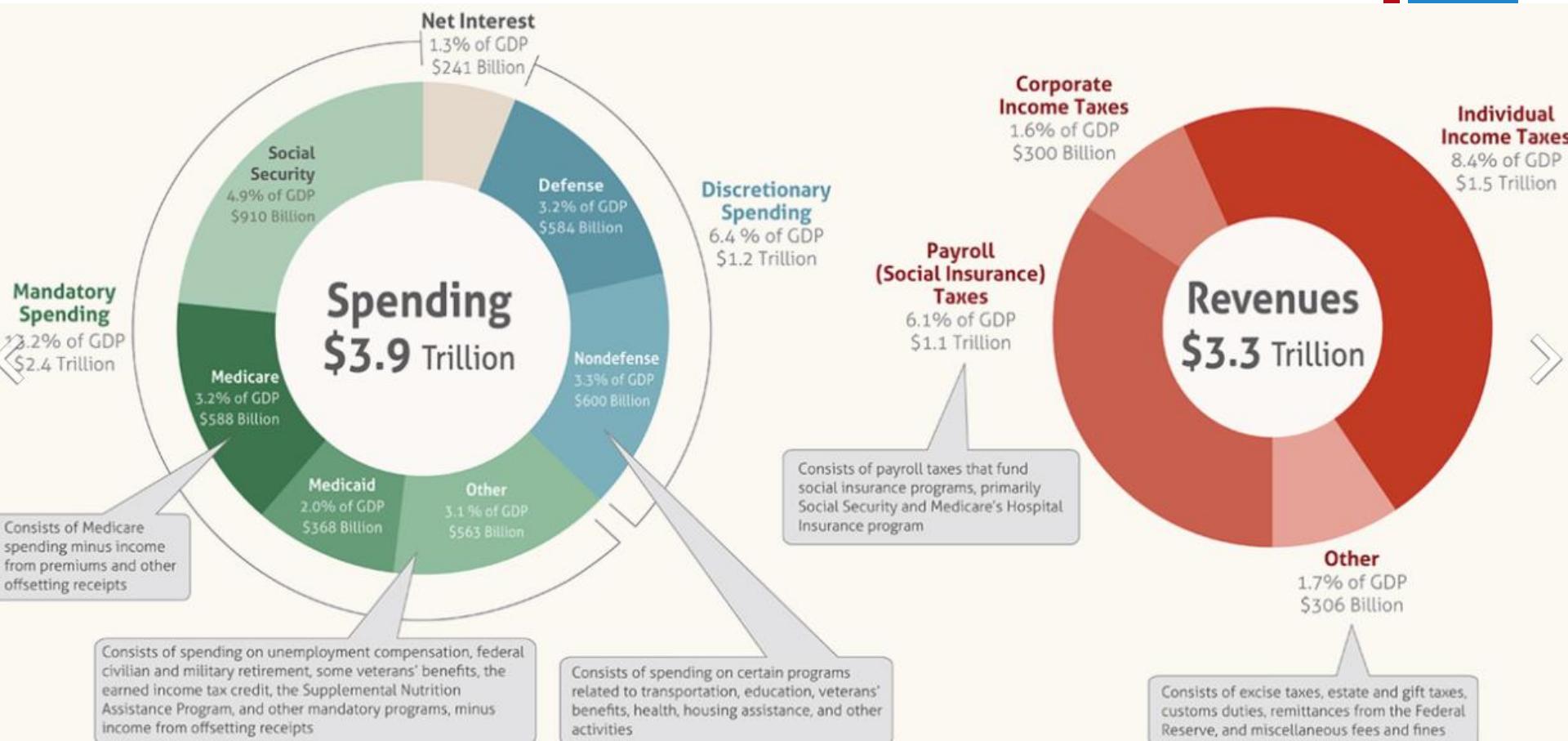


The Federal Budget

Objective: 7.2 - Evaluate how the government
collects and distributes tax revenue

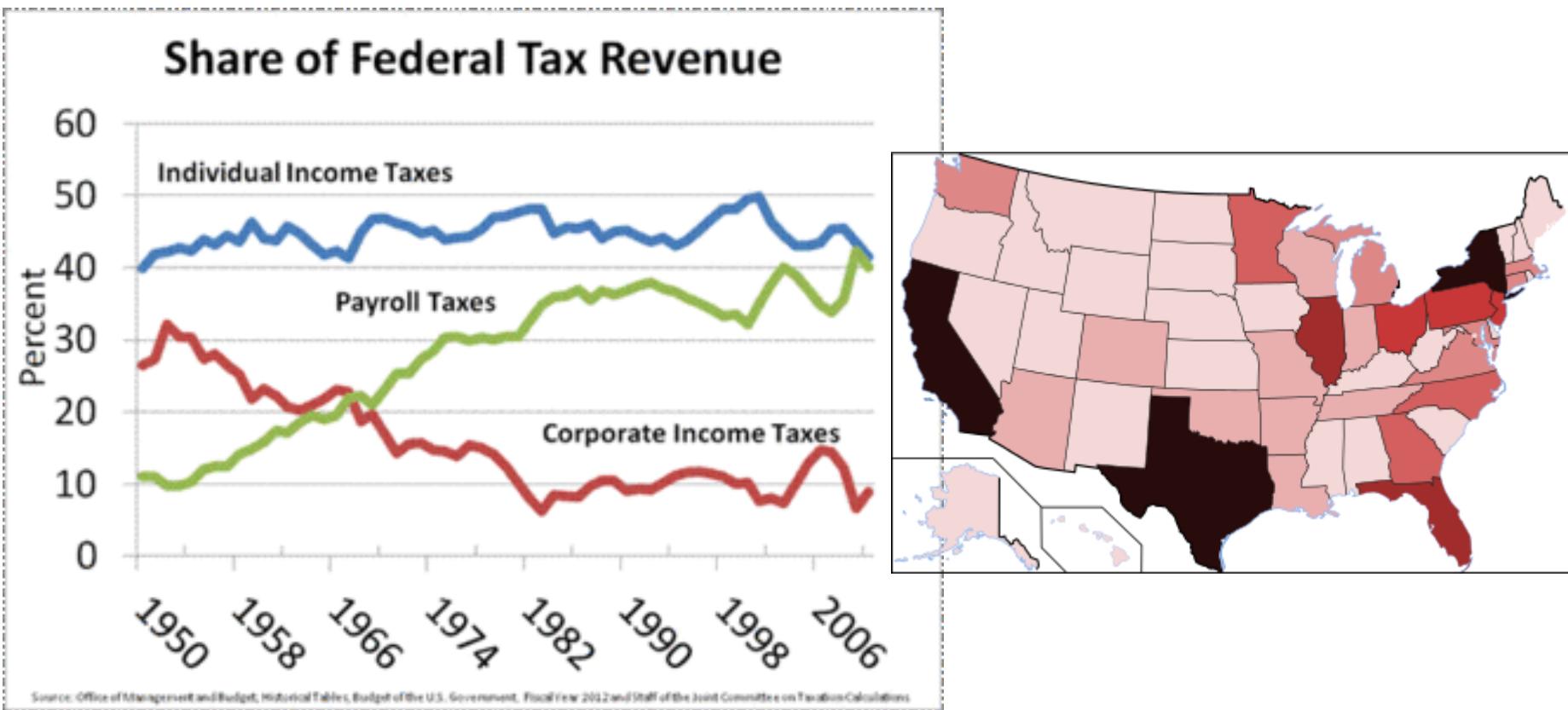
Recap:

+ Was fiscal year 2016 a surplus or a deficit?



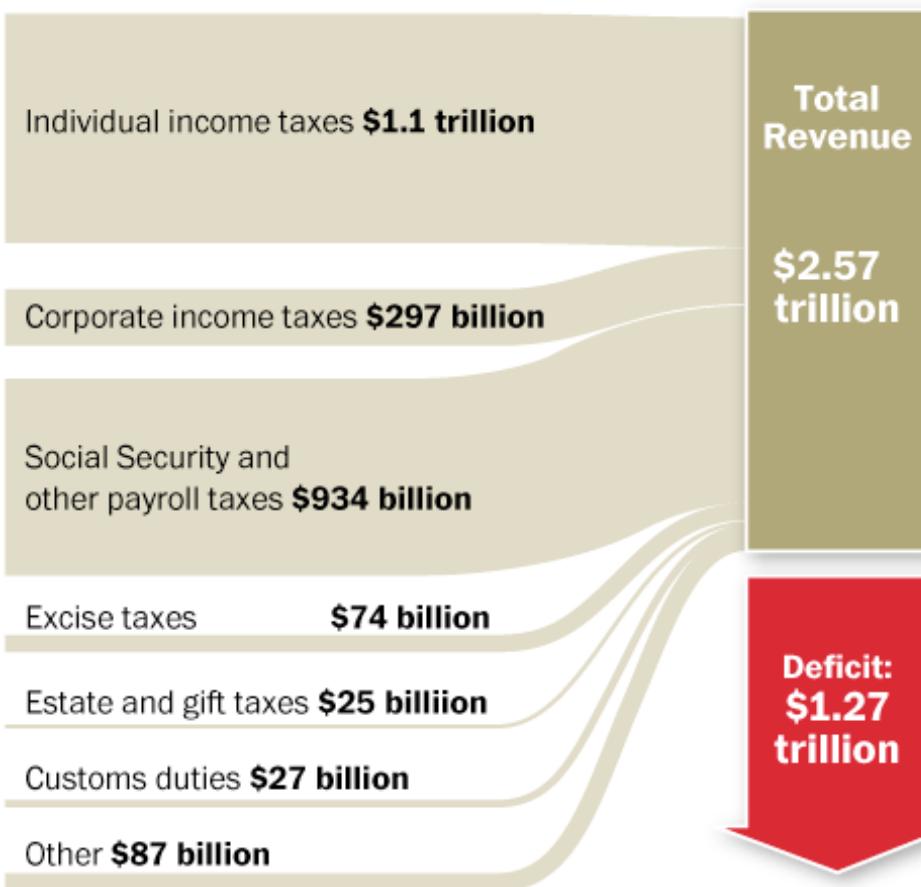
What is the difference between a deficit and debt?

+ Quick question: who pays more in federal taxes, individuals or corporations?

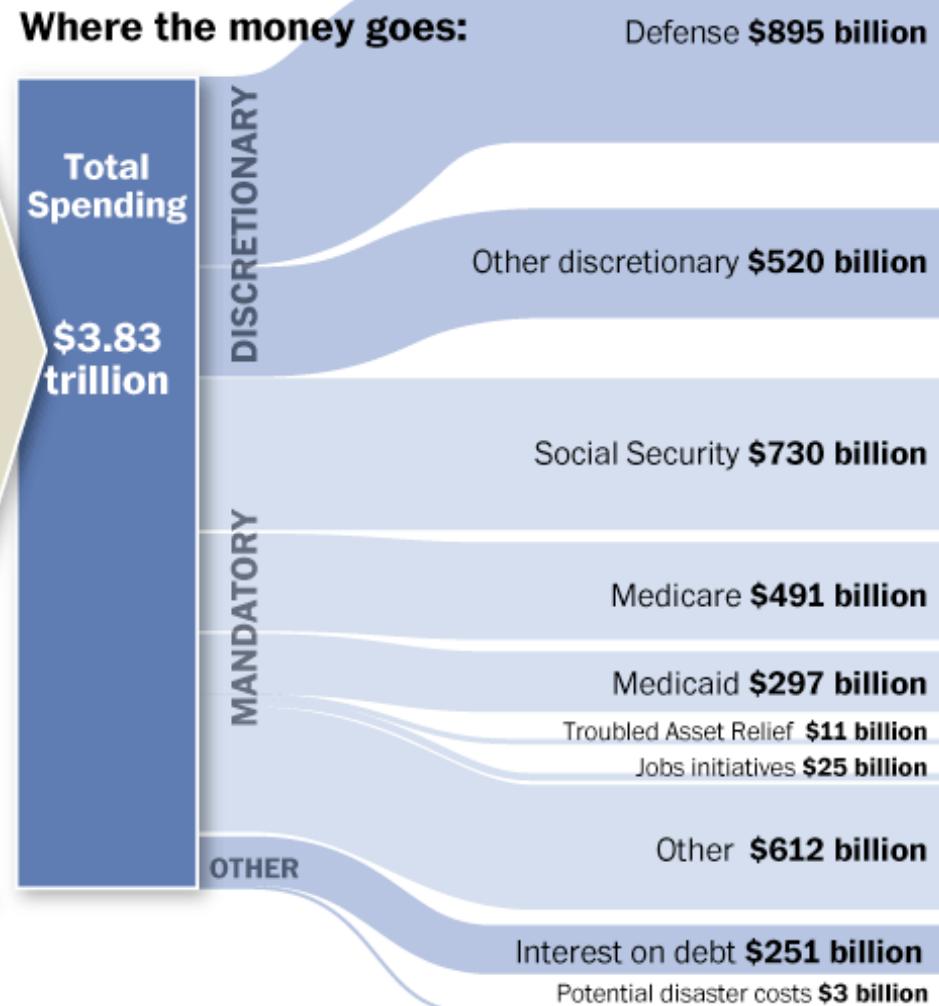


+ Quick question: who pays more in federal taxes, individuals or corporations?

Where the money comes from:



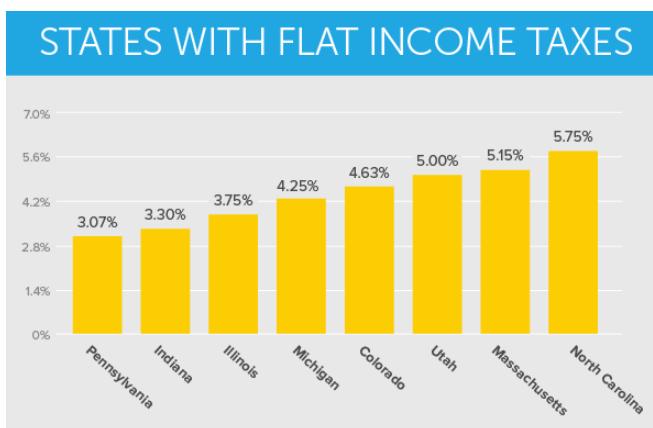
Where the money goes:





Types of Taxes

- **Direct** – paid directly from an individual/business to the gov
- **Indirect** – you only pay these if you want to buy certain goods or services



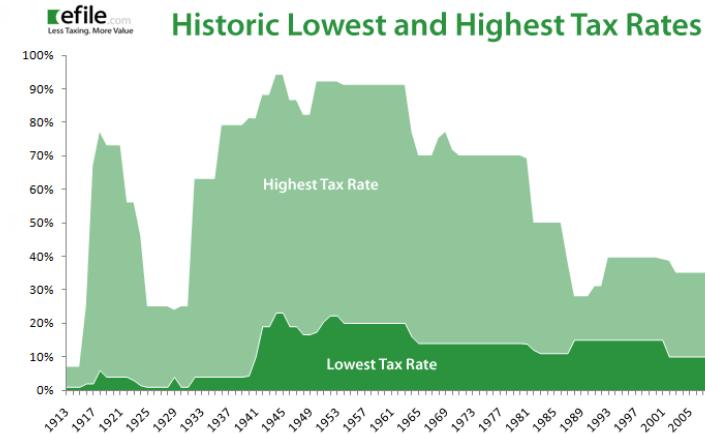
- **Progressive** – percentage paid goes up with income (determined by brackets)
 - **Regressive*** – percentage paid goes down the more money your make
 - **Flat*** – same percentage regardless of income
- (*but just to confuse you, flat is pretty much regressive)

Federal Tax Sources

- Individual income – the ? th Amendment made the income tax a permanent fixture in the U.S. tax system

2025

Income group	Percent change in after-tax income	Average tax change
Lowest fifth	0.4%	-\$70
Second fifth	0.9%	-\$390
Middle fifth	1.3%	-\$910
Fourth fifth	1.4%	-\$1,680
Top fifth	2.3%	-\$7,460
Top 1 percent	2.9%	-\$61,090
Top 0.1 percent	2.7%	-\$252,300



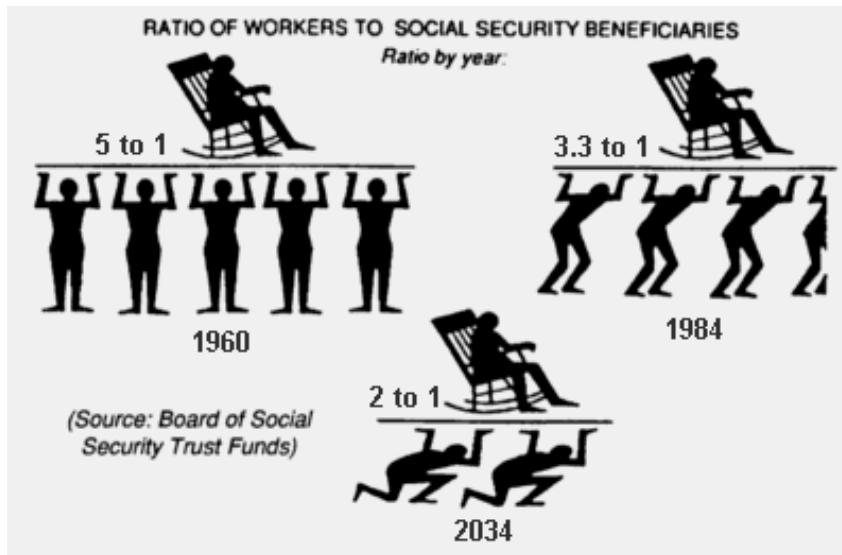


Federal Tax Sources

■ Payroll Taxes

➤ “Taxes” taken out of your paycheck each month that are given back to you once you turn old

1. Social Security – money for retirement & disabilities
2. Medicare – healthcare for elderly



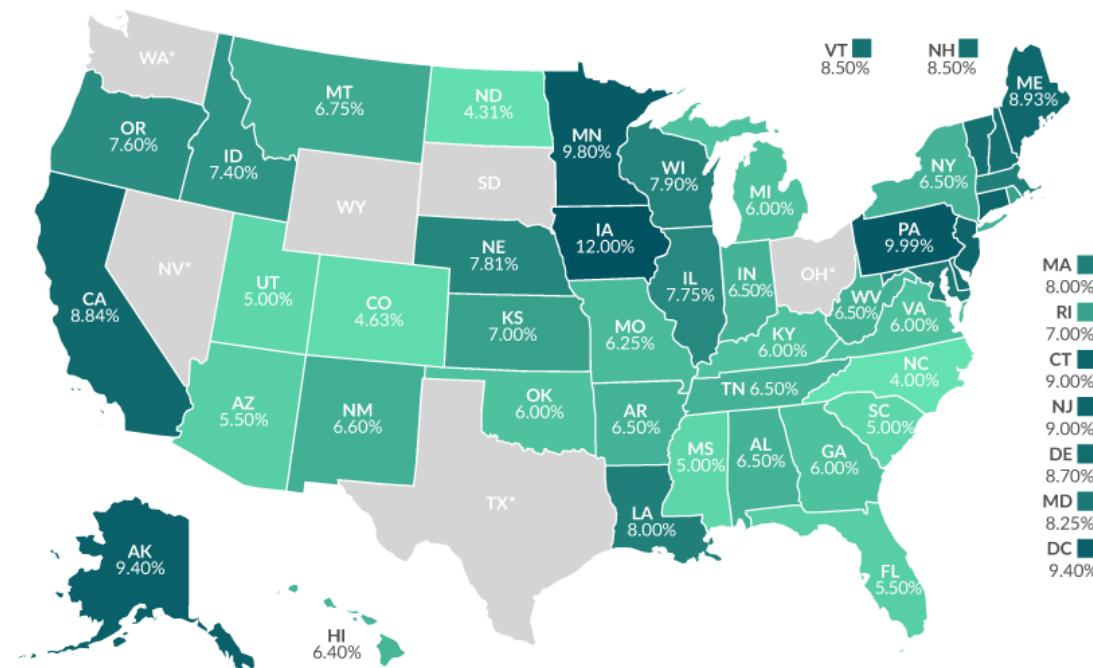


Federal Tax Sources

- **Corporate Income** – on businesses' profits
(corporations are people too!)
- **Capital Gains** – on the appreciation of investments

How High Are Corporate Income Tax Rates in Your State?

Top State Marginal Corporate Income Tax Rates in 2016



Federal Tax Sources

- Luxury & Excise taxes – on goods and services, including:
 - Gasoline
 - Cigarettes
 - Alcohol

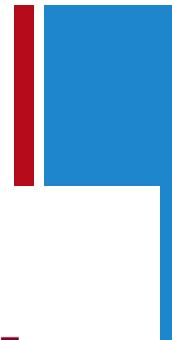
Tariffs

- Imported goods

To encourage people

To buy domestic





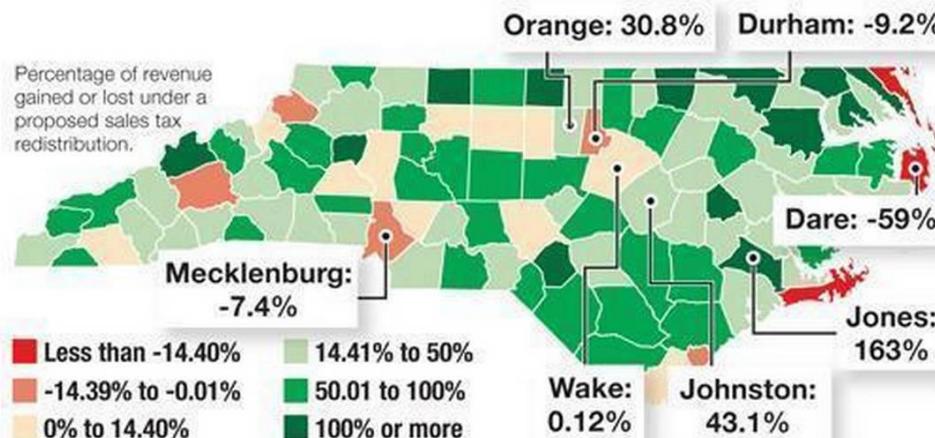
State & Local Tax Sources

■ Income

■ Sales

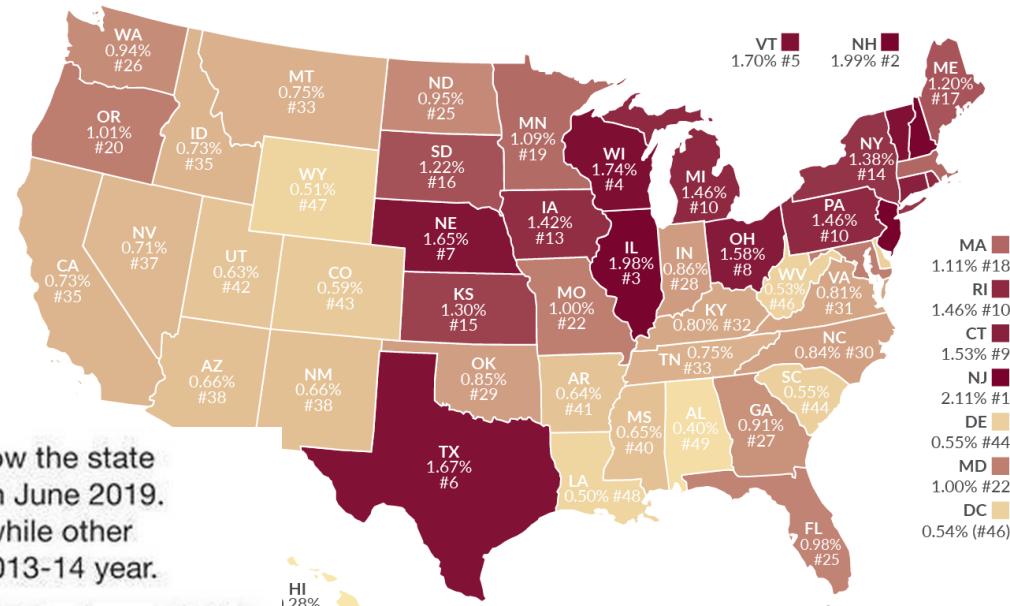
■ Property

This map shows a possible outcome of a shift in how the state distributes sales tax collections to counties through June 2019. Some counties would see a reduction in revenue, while other counties would see net gains compared with the 2013-14 year.



How High Are Property Taxes in Your State?

Mean Effective Property Tax Rates on Owner-Occupied Housing, Calendar Year 2014



We'll talk more about
these in U8

@TaxFoundation

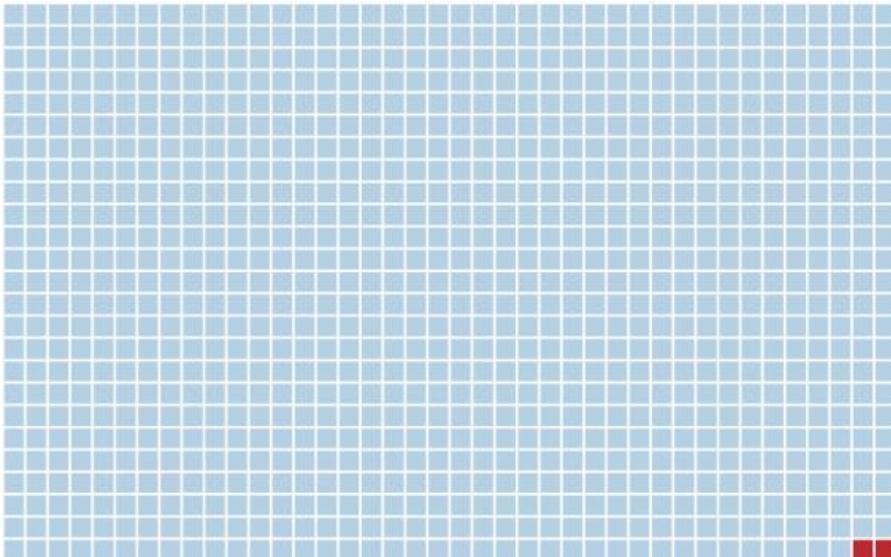


Federal Tax Sources

■ Estate Tax

- A tax on inheritance & gifts
- Can include property, investments, annuities, and interest
(life insurance payments are NOT taxable)

Only 2 Out of Every 1,000 Estates Will Owe Federal Estate Tax in 2017



Source: Joint Committee on Taxation





Tax Limitations

- Taxes may be used for public purposes only
- Tax Exempt Status for the following types of organizations:
 - Religious, Educational, Charitable, Scientific, Literary, etc.





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