**Death and Taxes**

Review pages 739-745 and then answer the following questions:

* Why do we need state and local taxes?

Taxes support a government to help its people. There are separate state and local taxes because the state and local governments run on discrete accounts. This means that a state is not tied to the finances of a single county within it, and state and local governments can concentrate on things specific to them (ie. States focus on education funding so local doesn’t have to).

* Restate in your own words Adam Smith's four principles of sound taxation?  What do you think makes each of them important?
  + 1. The subjects of a state should help support that state
    2. Taxes must be certain, not arbitrary
    3. Taxes should be at a convenient time for the payer
    4. Taxes should have the least effect possible on citizens
* Consider the following taxes.  How do they stack up against the four principles?
  + Cigarette tax – This has a large effect on the citizens that smoke, but is also beneficial by discouraging an unhealthy practice.
  + Sales tax – This has a large effect on citizens; increasing the cost of everything
  + Inheritance tax – Taxes should be at a convenient time, but right after someone dies it is an emotionally difficult time for the citizen.
  + Income tax – This is a certain tax; there is no ambiguity what someone is paying (however, due to the loopholes and complexity of the system this is not always true.)
* States also get money from non-tax sources.  What are problems that arise, especially with vices such as liquor and gambling?

Vices such as liquor and gambling are important revenue sources, but they also harm the citizens of states they are in. These sources of revenue are also highly taxed by the federal government.

* We've all heard about the government waste that occurs, like Congress buying a hammer for $700 and a toilet seat for $1500.  We can get cynical, but what would be better is to address and rectify the problem.  Give at least two ideas for gaining more control and preventing corruption.

There are two primary ways that corruption will occur. The first is direct bribery of a public official. The second would be local representatives trying to fund an unnecessary or deficient program only because it brings money to their state. To address the first issue, simply make all public officials finances open to the public down to his fast food purchases. As for the pork belly problem the best way to handle this is to have complete online disclosure of where money goes for each program as well as have a non-elected board of scientists to have line item veto authority over all government programs programs.