

Taxation and Public & Private Goods and Services

- Lesson Plan: Taxation and Public & Private Goods and Services
- Student Activity: Public vs. Private
- Student Warm-up Activity: What Do You Know About Public Goods and Services?
- KidsPost Reprint: “Just what is the ‘fiscal cliff’?”
- Discussion Questions: The Federal Budget and the Fiscal Cliff
- The Washington Post Reprint: “Why the income tax is worth celebrating”
- Discussion Questions: Happy Birthday, Sixteenth Amendment!
- Student Activity: Taxes Exit Ticket
- Student Activity: What Sales Taxes Do You Pay?



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An Integrated Curriculum For The Washington Post Newspaper In Education Program



In 1861 Congress passed the first American income tax — at three percent on all incomes more than \$800. Its purpose was to pay for the expenses of the Civil War.

In 1872, the income tax was repealed, but the revenue source was not forgotten. Over the next 50 years, conflict existed over tariffs, pricing of manufactured goods and farm products, and taxes that resulted in a proposed constitutional amendment. On February 3, 1913, the 16th Amendment was ratified.

Economic education is important at any grade level, and incorporating personal finance into those lessons is essential. Students need to understand how economic concepts will impact their daily lives. In this case, taxes are an excellent example of something that is issued by the government, impacts individual budgets, but gives back in return.

In order to understand the working of taxes, students need to see how taxes influence budgeting on the personal and government level. Students are not that far off from needing to budget their own lives and they need to know where their money is going, not just how they earn it.

The lesson “Taxation and Public & Private Goods and Services” was prepared by Rebecca Donlon.

She prepared the component activities “Public vs. Private,” “What Do You Know About Public Goods and Services?” “The Federal Budget and the Fiscal Cliff,” “Happy Birthday, Sixteenth Amendment!” and “Taxes Exit Ticket.” Rebecca teaches civics and economics and is the Grade 8 Civics PLC leader at Liberty Middle School, Clifton, Va. Rebecca is the recipient of the 2012 Virginia Historical Society’s Brenton S. Haley Teaching Excellence Award.

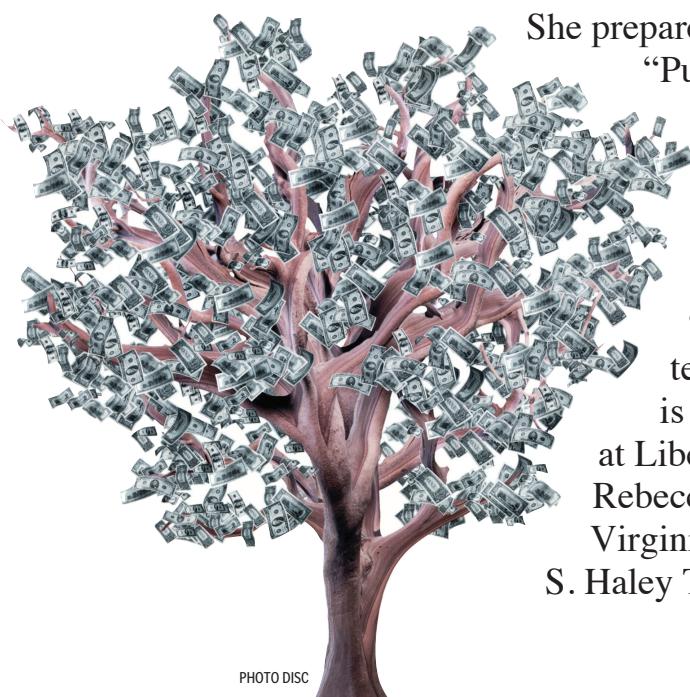


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LESSON PLAN

Taxation and Public & Private Goods and Services

I. Objectives

- Students will be able to recognize the difference between public and private goods and services.
- Students will be able to make a connection between public goods and services and the government through the Sixteenth Amendment, checks and balances, and the Preamble in the United States Constitution.
- Students will be able to apply information about taxes and budgeting to the impact on their lives.
- The student will demonstrate knowledge of the role of government in the United States economy by
 - b. explaining how government provides certain goods and services;
 - c. describing the impact of taxation, including an understanding of reasons for the 16th Amendment, spending, and borrowing; (VA SSCE.13)

II. Materials for Learning Activities

- Students will receive a warm-up handout, public vs. private goods and services handout, *The Washington Post* guest commentary “Why the income tax is worth celebrating” and corresponding handout, *The Washington Post* article “Just what is the ‘fiscal cliff’?” and corresponding handout, and exit ticket.
- Materials other than handouts: highlighters (two colors, if possible), access to *The Washington Post*
- Key vocabulary: budget, debt, deficit, goods, income tax, interest, private, public, revenue, services

III. Procedures for Learning Activities

• Introduction

- Students will receive the warm-up activity, “What Do You Know About Public Goods and Services?” Students will respond to the three questions based on their previous knowledge of taxation and public vs. private goods and services. The responses will be shared as a class.
- After sharing, ask students to consider their local county/city. In the warm-up, they listed examples of public and private goods and services. Teachers will write on the board the list of the goods and services that students think are provided locally under the appropriate headings. Suggest traffic lights. What if the traffic lights were private and people had to pay to use them each time, would people stop?

• Instructional Strategies

- Give students “Public vs. Private.” Students will label each item as public, if it is funded by tax revenue, or private, if it is an example of private ownership. Discuss the responses when students are finished. Ask if there are some choices which could be potentially labeled as both and what would have to happen to make that so.
- Extension – at the bottom of “Public vs. Private,” students are asked to look at the front page of *The Washington Post*. Students will circle stories that are focused on something private and put a square around those articles that are about public concerns. Students will be able to make a connection to current events and how these topics are present in daily life.
- The discussion will move onto how public goods are paid for. Students will read *The Washington Post* guest commentary, “Why the income tax is worth celebrating,” by Molly Michelmore,

February 17, 2013. Students will need two different color highlighters, if possible. In one color they will highlight anything that covers the history of the Sixteenth Amendment to the United States Constitution. In the second color, they will highlight anything that is funded by income tax revenue (if a student doesn't have two highlighters they can underline, circle, or use another symbol). Students will put a star next to any statements they do not understand or feel needs clarification. The handout "Happy Birthday, Sixteenth Amendment!" will go along with the article. Students will share their answers as a class or with a neighbor.

- To tie together the ideas of public and private goods and services, taxation and the Sixteenth Amendment, and the budget and fiscal cliff, give students *The Washington Post* KidsPost article "Just what is the 'fiscal cliff'?" Questions found in "The Federal Budget and the Fiscal Cliff" will help guide students through the article and will connect the information with checks and balances.

- **Summary**

- Students will end the class by completing an exit ticket. Students will respond to four questions to assess their understanding of the lesson.
- Estimated Times (Based on a 60-minute lesson):
Warm-up – 10 minutes
Public vs. Private – 15 minutes
Sixteenth Amendment and income tax – 25 minutes
Fiscal Cliff – 25 minutes
16th Amendment – 10 minutes
Exit Ticket– 5 minutes



IV. Assessment

- Students will be assessed through informal questioning about private and public goods, the budget and taxation.
- The exit ticket will be turned in at the end of class to assess if students understand how taxation impacts their lives and the government, and budgeting.

V. Differentiation

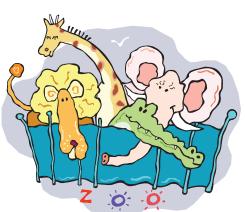
- The teacher will read the handouts aloud before having students begin work.
- Students will have the choice of working with another student during the assessments to help students understand the purpose.
- Articles can be read aloud for groups needing reading support.
- Extension – Students can try to find additional articles that explain the fiscal cliff, budgets, taxation and related topics. They will write a report connecting the article to the content focusing on specific topics and vocabulary used throughout the lesson.

ABOUT THE AUTHOR OF THIS LESSON

The lesson "Taxation and Public & Private Goods and Services" was prepared by Rebecca Donlon. Rebecca teaches civics and economics and is the Grade 8 Civics PLC leader at Liberty Middle School, Clifton, Va. Rebecca is the recipient of the 2012 Virginia Historical Society's Brenton S. Haley Teaching Excellence Award.

Public vs. Private

Label the pictures either as a public or as a private good or service.

Grocery Store 	County Fire Station 	The Family Car 	A Student's Backpack 
A City Library 	A County School 	A Movie Theater 	Your Neighbor's House 
Your Brother's Skateboard 	Police 	Shoes 	A City Bus 
A State Park 	The National Zoo 	Your Lunch 	Highway 

Find your own examples. Review the front page of *The Washington Post*. Put a square around anything you see that is an example of private goods or services and a circle around public goods and services. Be prepared to share examples with the class.

What Do You Know About Public Goods and Services?

There are many goods and services that the government provides for us which individuals do not need to pay for directly.

1. What are some examples of goods and services provided by the government?
 - A.
 - B.
 - C.
 - D.
 2. Why don't individuals pay for these services?
 3. How is the government able to pay for these public goods and services? Be specific, if possible.
-

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KIDSPOST

Just what is the ‘fiscal cliff’?

You may have heard people talk about the “fiscal cliff” lately and not known what they were talking about. It’s okay — it confuses a lot of grown-ups, too! So KidsPost asked Neil Irwin, who writes about the economy for The Washington Post, to explain the basics. After reading this, you can explain it to your parents.

First things first: What does “fiscal” mean?

The government spends money — to pay for the military, for example, and for health care for older people. It uses money from taxes to pay for those things. Tax money comes from, among other places, grown-ups’ paychecks. The decisions about government taxes and spending are known as fiscal policy.

Okay, so what is the “fiscal cliff,” then?

Hold on a minute! First you have to understand what the deficit is.

All right, then, what is the deficit?

The government frequently spends more money than it raises in taxes. The difference between the two is known as the deficit. It would be like receiving a \$20 allowance but buying \$25 worth of toys, books and candy.

How can the government do that?

The government is able to have a deficit by borrowing money. In the allowance example, it would be like someone buying \$25 worth of toys by using his \$20 allowance and borrowing \$5 from a neighbor, promising to pay it back later. You can see the problem, though: Eventually the neighbor wants to be paid back! So it is better not to have large deficits forever, because eventually you could land in real trouble.

Right now, the U.S. government is borrowing A LOT of money: \$1.1 trillion last year! (Can you figure out how many zeros that number has?) That number is so big it’s hard to even imagine, but it adds up to about \$3,500 for every man, woman and child in America — including you!

So is the United States in real trouble? Is THAT the fiscal cliff?

Not exactly. The people who lend our government money are still happy to do so. (One reason for that is we pay them not only what we borrowed but also a little extra. That extra is called “interest,” and it’s why people are willing to lend money. So in our allowance example, you might borrow \$5 from your neighbor but promise to pay back \$6. That would be the original \$5 plus \$1 in interest.) But political leaders worry that might change someday, and they want to keep it from happening. In other words, we don’t want to wait for our neighbor to stop lending us money before we get the government’s spending in line with taxes.



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But Republicans and Democrats can’t agree about how to bring down the deficit. Republicans, in general, want to solve the problem by cutting spending. Democrats want to solve the problem in part by raising taxes.

So where's this cliff?

There isn't an actual cliff. But through a series of decisions in the past, Republicans and Democrats decided to put in place a bunch of policies they really, really don't like, all set to take place at the same time, so that they would essentially force themselves to work together to come up with a better plan. That time is now. Or, more precisely, January 1 — about a month away.

That sounds crazy!

Yes, it does.

So what happens if they don't come up with a better plan?

This is where the cliff comes in. If there isn't a new policy agreed to by January 1, taxes will go up on almost everyone. Spending will be cut on a lot of things the government does. If these things happen, they will probably hurt the economy. It could be so bad that it would feel like falling off a cliff.

Why would our politicians risk putting us in such a mess?

Because sometimes it takes the threat of something really bad happening to force grown-ups to do the right thing.

So are we going to fall off the fiscal cliff?

Republicans say they don't want to go off the cliff. Democrats say they don't want to go off the cliff. President Obama says he doesn't want to go off the cliff. The question is whether they will agree to things they normally would hate, such as tax increases and cuts in spending for health care and services for older people in order to get there.

Can they find a compromise they all can be okay with?

The answer to that is: Nobody knows for sure.

Yikes.

Yeah. Yikes.

— November 27, 2012

The Federal Budget and the Fiscal Cliff

Every year the president and Congress need to come together to design and implement a federal budget that supports the needs of the country without overspending. The president is entrusted with writing the budget with the help of his advisors. Because of checks and balances in the United States Constitution, Congress has the job of approving the budget before it is put into place.

Ever tried to come up with a plan of what to do on a Saturday with your friends? Or how to share the video games with your brother or sister? It is never easy to make everyone happy, but the Constitution expects the president and Congress to find a way. Read the KidsPost article “Just what is the ‘fiscal cliff’?” from *The Washington Post* and answer the following questions.



1. What is a deficit?
2. Why is having a deficit a problem?
3. How can interest from borrowing money contribute to the growing debt?
4. How do the Republicans want to solve the budget problem?
5. How do the Democrats want to solve the budget problem?
6. A compromise is an effort to take points from both sides of the argument and create a solution with which both can work. If you could give advice to the president and Congress, what would you recommend as a solution to the deficit when putting together the budget? Consider taxes, spending, programs and cuts. Look for articles in *The Washington Post* for support and ideas.

Why the income tax is worth celebrating

BY MOLLY MICHELMORE

• Originally Published February 17, 2013

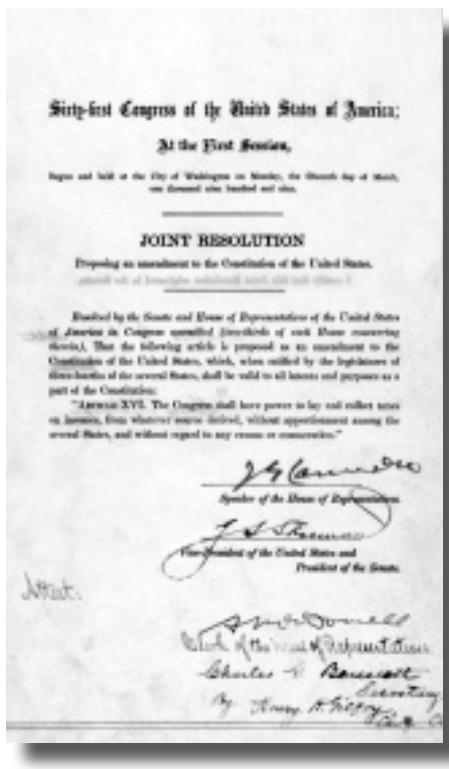
The federal income tax celebrates its 100th birthday this month. With so few fans of the tax in and outside Washington, few are likely to celebrate.

But maybe we should.

The income tax was once quite popular. In fact, it was farmers in the South and the West, small-business owners and middle-class consumers — people who might belong to the tea party today — who put the income tax on the national agenda.

After the Civil War, the federal government relied on a combination of consumption taxes and high tariffs to raise revenue. Both bore most heavily on regular people while doing little to tap the fortunes of the Gilded Age's robber barons.

Popular hostility toward these moneyed interests helps explain the initial popularity of the income tax. In their 1892 platform, a group of agrarian radicals known as Populists demanded a graduated income tax to bring an end to "oppression, injustice, and poverty" and to restore "equal rights and equal privileges for all." Republicans and Democrats took notice; in 1894, Congress imposed a 2 percent tax on incomes over \$4,000.



NATIONAL ARCHIVES

The new tax lasted less than a year. In 1895, the Supreme Court ruled it unconstitutional in *Pollack v. Farmers' Loan and Trust*. In a scathing dissent, Justice Henry Billings Brown accused the court of surrendering the "taxing power to the moneyed class." Justice John Harlan called the ruling a "disaster."

But the court's decision made the income tax more popular. At their 1896 convention, Democrats endorsed such a tax as the best way to ensure that the "burdens of taxation" be "equally and impartially laid" so that "wealth may bear its due proportion of the expenses of Government." By 1908, both parties supported a national income tax.

The following year, Congress sent an income-tax amendment to the states for ratification.

Added to the Constitution in February 1913, the 16th Amendment gave Congress the power to "lay and collect taxes on incomes." Congress passed an income-tax law that spring, and the Treasury issued the nation's first 1040 — a three-page form that required only one page of instructions to complete.

At first affecting very few, the tax was temporarily expanded in 1916 to offset the costs of World War I. Still, few Americans — all quite wealthy — owed any tax to the federal government. Things changed in 1942. To help pay for World War II, Congress shifted from a "class tax" — paid by only the very rich — to a "mass tax." An intensive public relations campaign, featuring such pop-culture icons as entertainer Danny Kaye, songwriter Irving Berlin and even cartoon character Donald Duck, convinced Americans of their patriotic duty to pay their "taxes to beat the Axis."

The government's insistence that the "real authors" of the new tax burden lived in Berlin and Tokyo and that only a national emergency could justify the new tax helps explain why the federal income tax became so unpopular after World War II. In the late 1920s, Republican Supreme Court Justice Oliver Wendell Holmes had defended taxes as "what we pay for civilized society." In the postwar period, few

beneficiaries of welfare, food stamps and Medicaid were and are demeaned as parasitical “tax eaters” and “takers.”

In so doing, the liberals of the past made it easier for middle-class Americans to see what they pay to the government than what they get in return.

Little wonder, then, that the nation’s tax politics have been reduced to a bipartisan debate about the size and distribution of cuts. Even President Obama’s plan to avert the “fiscal cliff” was mostly a package of tax reductions (which

the president described as giving a tax break to “every American, including the wealthiest” among us). Such rhetoric may help win elections, but it won’t resolve our impasse over taxing and spending.

The U.S. Constitution promises to “insure domestic tranquility,” to “provide for the common defense” and to “promote the general welfare.” Taxes make these things possible. Taxes pay for the good roads, clean air and water, safe food and drugs, and strong military that Americans value. Taxes make it possible for businesses to thrive, for children

to attend school and for hospitals to care for the sick. Tax dollars pay the salaries of firefighters and police officers. Taxes pay for the emergency workers, shelters and services needed when the nation is devastated by natural disasters such as Hurricane Sandy.

So maybe the federal income tax should get a birthday party. It has, after all, given us civilization.

*Molly Michelmore is an associate professor of history at Washington and Lee University and the author of *Tax and Spend: The Welfare State, Tax Politics, and the Limits of American Liberalism*.*

Happy Birthday, Sixteenth Amendment!

The Sixteenth Amendment (1913) states that Congress has the “power to lay and collect taxes on incomes.” February 2013 is the 100th anniversary year of the amendment that gave Congress the ability to bring in tax revenue. It is important to review the history behind the document and what it has given to the American public.

Read the guest commentary “Why the income tax is worth celebrating” by Molly Michelmore, published February 17, 2013, in *The Washington Post*. As you read, using two different color highlighters, do the following:

- In one color, highlight anything that covers the history of the amendment.
- In a second color, highlight anything that is funded by income tax revenue.
- Put a star next to anything you are unsure about or needs clarification.



INTERNAL REVENUE SERVICE

After reading the article, using the highlighted information, respond to the following questions.

1. What type of people first started pushing for a federal income tax? Why?
2. The first attempt at a federal income tax was deemed unconstitutional by the Supreme Court in 1895. What was the reaction to the court decision and what happened to the support for a future income tax?
3. After the Sixteenth Amendment was ratified in 1913, what was some of the collected tax revenue used for by the government? List examples.
4. The article references three lines from the Preamble to the Constitution: “Insure domestic tranquility,” “provide for the common defense,” and “promote the general welfare.” How has the income tax helped the government meet these three goals?
5. After reading this article, do you support the federal income tax? Why or why not? Provide specific reasons (consider some of the examples of private vs. public goods and services).

Name _____ Date _____ Period _____



1. Describe why the government ratified the Sixteenth Amendment. Include specific examples.

2. Give an example of a public good or service and a private good or service.

Public

Private

3. What causes a deficit?

4. List three ways taxes improve the way you live:

-
-
-

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-

What Sales Taxes Do You Pay?

When you go to a department store, car dealership, ice cream parlor or barbershop, you are purchasing goods or services. The new dress or pair of shoes can be worn on many occasions. If well maintained, the vehicle will be used by you or your family for years. The ice cream is consumed immediately and the hair cut will disappear over the weeks. For all of these you will pay a sales tax. Sales taxes are a percentage of the retail price of food, clothes, and other items you purchase.

Let's investigate the sales tax that you pay where you live.



- When you go to a restaurant, your parents may say they are "ready for the check." This means that they are ready to leave and want to pay the bill. Look at the customer receipt. What percent food tax do you pay?



- Do you pay a sales tax on prescriptions?

- When the family vehicle is filled with gas, a gasoline excise tax is paid in addition to the cost per gallon of fuel. This tax on gasoline consumers covers the manufacture, sale and use of gasoline. What gasoline excise tax is added to the cost of buying gas in your area?
- You have been given a \$50 gift certificate to one of the department stores that advertises in *The Washington Post*. Read the advertisements. What item(s) might you be able to buy? Be sure to include sales tax.
- You are to make lunch on Saturday for your family. You have a \$30 budget. This includes the sales tax. Read the grocery store advertisements in *The Washington Post*. Review possible recipes, plan your menu and prepare a grocery list. Include the price of all items on your grocery list, number of items, weight of produce and the tax you will pay.

Bonus Questions

- If your older brother receives a bonus for being the best waiter of the month, is the bonus taxable?
- Your older sister is a server in the best restaurant in your town. Is she supposed to report her tips to the IRS?