12.3

Financing Government



As a Young Political Scientist, I will be able to...

- Explain how the Constitution gives Congress the power to tax and at the same time places limits on that power, as well as, how government taxation and regulation can serve as restrictions to private enterprise.
- Identify the sources of revenue of the U.S. government today, including both tax and non-tax revenues.

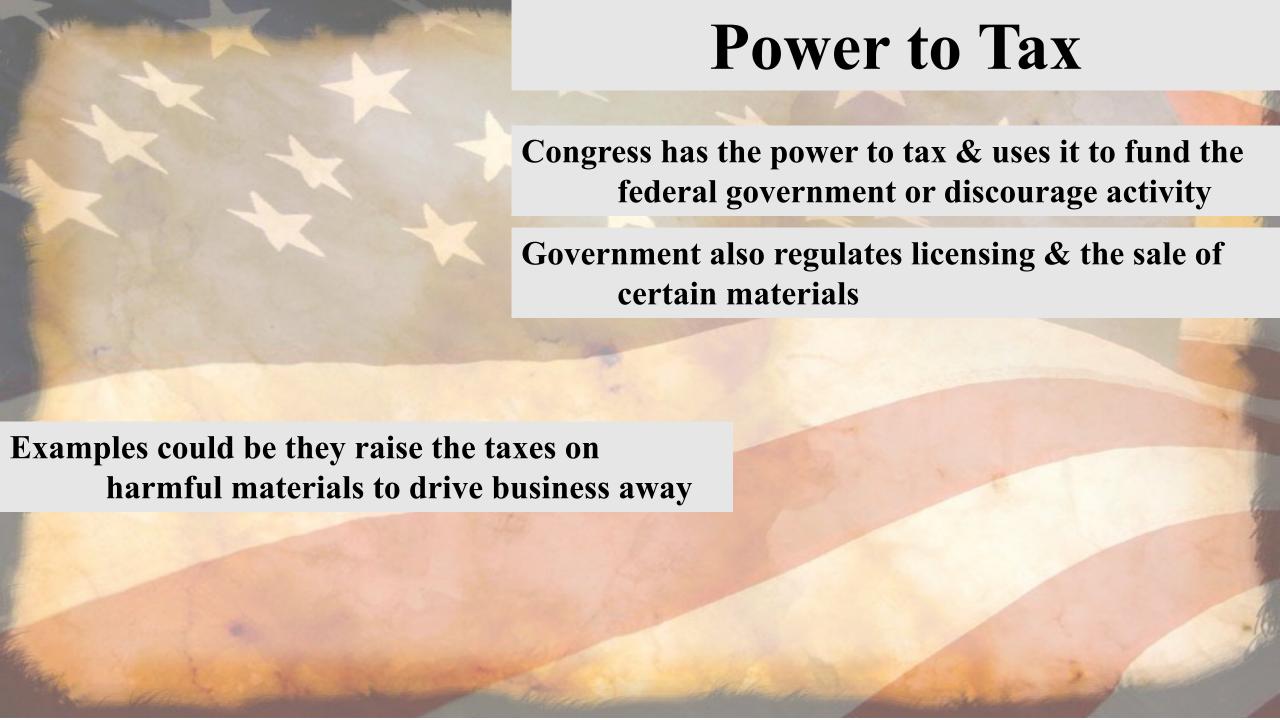
Power to Tax

A government's fiscal policy is the various means it uses to raise & spend money to influence the nation's economy

Cuts in taxes means more money in the hands of the consumers & more jobs

Increasing taxes allows for more government programs & the reduction of inflation

Ben Franklin said, "In this world nothing can be said to be certain, except death & taxes"



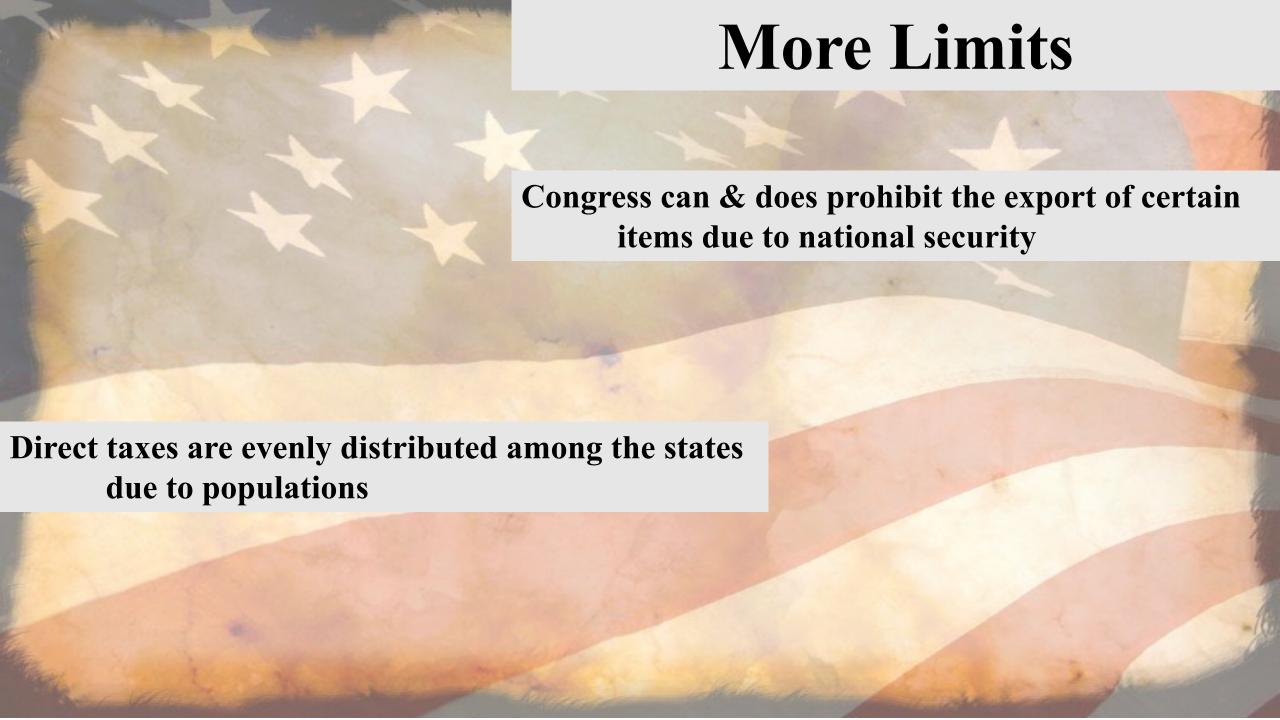
Limits on Tax Power

Congress must follow the Constitution when creating tax powers

Example: We cannot tax churches due to separation of church and state

Taxes can only be used for public purposes, not private interests

We cannot tax exports, but we can tax imported goods into the United States



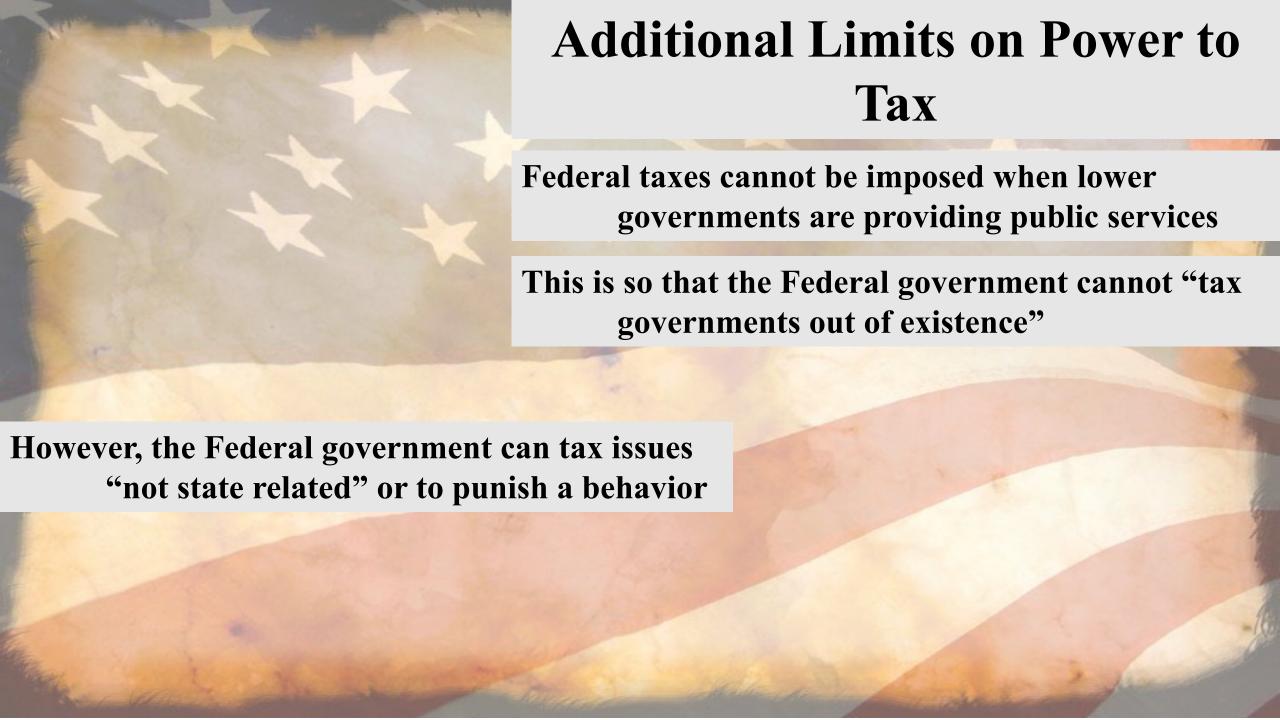
Direct Tax Restrictions

Direct taxes come directly from the person, such as a land tax

Indirect taxes are passed on to another form of payment, such as a tax on alcohol is on the consumer

We have not used direct taxes for states since 1861 due to large population differences

Income taxes affect businesses & individuals, but corporations are separate tax-paying entitites



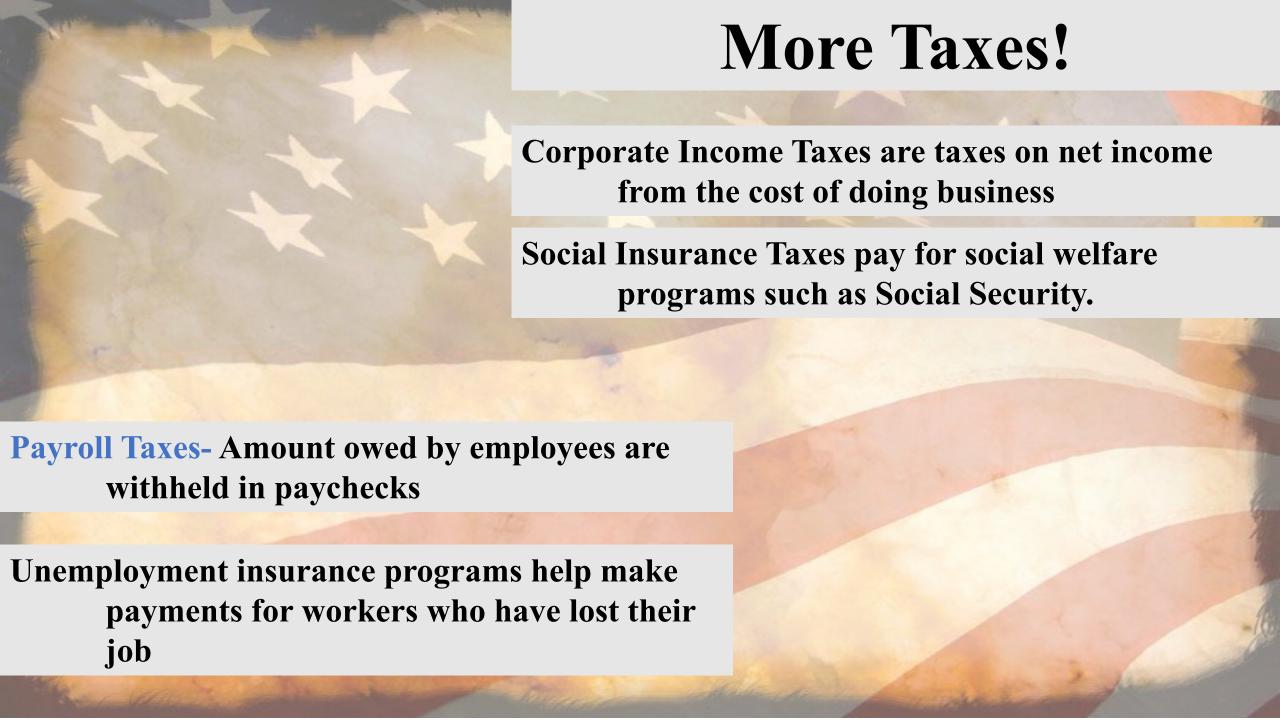
Federal Taxes Today

Paying taxes is your responsibility as a citizen, or government could not function

Income tax is the largest source of federal revenue today!

Progressive Tax- The higher one's income, the higher the tax rate

Most people who pay income tax do so through withholding, a pay-as-you-go plan.



Even MORE Taxes!!!

Regressive taxes- taxes levied at a fixed rate, without regard to level of income or the ability to pay them

Excise Tax- Tax laid on the manufacture, sale, or consumption of goods and/or the performance of services

Estate Tax- Levey imposed on the assets of someone who dies

Inheritance tax- Another form of the "death tax" on the portion of money to each heir

And now for something completely different....



