

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

The background of the entire slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, muted tones.

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"

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, golden tones.

Power to Tax

Congress has the power to tax & uses it to fund the federal government or discourage activity

Government also regulates licensing & the sale of certain materials

Examples could be they raise the taxes on harmful materials to drive business away

Limits on Tax Power

The background of the entire slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, muted tones.

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

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, painterly tones.

More Limits

Congress can & does prohibit the export of certain items due to national security

Direct taxes are evenly distributed among the states due to populations

Direct Tax Restrictions

The background of the entire slide is a stylized, painterly representation of the United States flag. It features large, soft-edged stars in white and yellow against a blue and grey background, with broad, wavy stripes in red, orange, and yellow.

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 entities

The background of the entire slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, golden tones.

Additional Limits on Power to Tax

Federal taxes cannot be imposed when lower governments are providing public services

This is so that the Federal government cannot “tax governments out of existence”

**However, the Federal government can tax issues
“not state related” or to punish a behavior**

Federal Taxes Today

The background of the entire slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, muted tones.

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.

The background of the entire slide is a stylized, painterly representation of the United States flag. It features a field of white stars on a blue background in the upper left, and horizontal stripes of red and white in the lower right. The colors are muted and the texture is soft, giving it an artistic, almost watercolor-like appearance.

More Taxes!

Corporate Income Taxes are taxes on net income from the cost of doing business

Social Insurance Taxes pay for social welfare programs such as Social Security.

Payroll Taxes- Amount owed by employees are withheld in paychecks

Unemployment insurance programs help make payments for workers who have lost their job

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- Levy 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....**



**JUST KIDDING!
MORE AND MORE
TAXES!!!!!!**

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in warm, golden tones.

Why not...**MORE TAXES**

Gift Tax- Tax imposed on a gift from one living person to another

Custom Duties- Taxes laid on goods brought into the U.S. from abroad

Interest- Charge for borrowed money, generally a percentage of amount borrowed