

Worksheet Solutions

The Goals Behind Taxes

Theme 2: Taxes in U.S. History

Lesson 1: Evolution of Taxation in the Constitution

Key Terms

excise tax—A tax on the sale or use of specific products or transactions.

progressive tax—A tax that takes a larger percentage of income from high-income groups than from low-income groups.

regressive tax—A tax that takes a larger percentage of income from low-income groups than from high-income groups.

revenue—The income the nation collects from taxes.

tariff—A tax on products imported from foreign countries.

Summary

Before the U.S. Constitution was ratified in 1788, the federal government lacked the power to raise **revenue** directly. Even after the Constitution was ratified, federal revenues came mostly from **tariffs** and **excise taxes**. These taxes tend to be **regressive**, because people with lower incomes had to pay a higher percentage of their income than did people with higher incomes.

During the Civil War, the federal government required much more revenue than the tariffs and excise taxes could provide. A tax on income was established in 1862 but was later abolished after the war. The ratification of the Sixteenth Amendment in 1913 gave Congress the right to levy and collect income taxes. Income taxes tend to be **progressive** because they tax a larger percentage of income from high-income groups than from low-income groups.

The goal of American lawmakers has always been to balance the need to raise revenue, the desire to be fair to taxpayers, and the desire to influence the way taxpayers save and spend their money.

Activity 1

Different types of taxes are listed below. Write the letter of the goal or goals lawmakers had in mind when they created the tax in the space provided. Some taxes may have more than one answer.

- A, B** 1. Tax on gasoline
- A. Raise revenue
 - B. Influence spending behavior
 - C. Fairness to taxpayers

- B, A** 2. Tax on alcoholic beverages
A. Raise revenue
B. Influence spending behavior
C. Fairness to taxpayers
- C, A** 3. Tax on income
A. Raise revenue
B. Influence spending behavior
C. Fairness to taxpayers
- B, A** 4. Tax on foreign cars
A. Raise revenue
B. Influence spending behavior
C. Fairness to taxpayers

Activity 2

Read the question below. Write your answer in the space provided.

- How do you think the taxes in Activity 1 raised revenue, influenced behavior, or were fair to taxpayers?

Suggested Answers: 1. Almost everyone needs to buy gasoline, so a tax on it is a good way to raise revenue for new roads and highway repair. A high tax on gasoline could influence people to use less gasoline or buy more fuel-efficient cars. 2. Taxing alcohol would make it more expensive, which might keep some people from buying it. 3. Almost everyone has an income, so a tax on income would raise a great deal of revenue. Depending on how incomes are taxed, people who earn more also will pay more taxes, and people who earn less will pay less. 4. A tax on foreign cars would make them more expensive, so people might buy domestic or used cars instead.

Activity 3

Read the situation described below to answer the given question.

Imagine that you have just graduated from college and are about to start your first full-time job. You have rented an apartment that you can afford on your new salary. You need to drive about 20 minutes to work every day. Your old car is not working well, and you plan to buy a new one.

- How would the taxes in Activity 1 affect your spending habits?

Suggested Answer: In general, these taxes will cause me to have less money to spend on other things. Specifically, a tax on gasoline may cause me to choose a car that gets good gas mileage; a tax on income may cause me to spend less money on a new car or to buy a used car instead; a tax on foreign cars may influence me to buy an American car.