### Worksheet

**Theme 3: Fairness in Taxes**  
**Lesson 1: How to Measure Fairness**

#### Key Terms

**ability to pay**—A concept of tax fairness that states that people with different amounts of wealth or different amounts of income should pay tax at different rates. Wealth includes assets such as houses, cars, stocks, bonds, and savings accounts. Income includes wages, interest and dividends, and other payments.

**benefits received**—A concept of tax fairness that states that people should pay taxes in proportion to the benefits they receive from government goods and services.

#### Summary

Two criterion used to measure fairness in taxes are **benefits received** and **ability to pay**. According to the benefits received principle, those who receive or benefit from public services should pay for them. People who use a toll road should pay the toll. People who use a park should pay the park fees. Some taxes work this way. It is not always easy to figure out the benefits different people receive from some public services, such as national defense.

Some people have higher incomes or more possessions than others. Under the ability to pay principle, these people pay more in taxes because they can afford to pay more.

#### Activity 1

Examine the chart below and answer the following questions on the lines provided.

<table>
<thead>
<tr>
<th>A Tale of Two Families</th>
<th>Millers</th>
<th>Carpenters</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Husband and wife both retired teachers</td>
<td>Young couple, 3 children; husband is a factory worker; wife has evening paper route</td>
</tr>
<tr>
<td><strong>Home</strong></td>
<td>own home</td>
<td>rent home</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td>$40,000</td>
<td>$25,000</td>
</tr>
<tr>
<td><strong>Income Tax</strong></td>
<td>$2,000</td>
<td>$1,250</td>
</tr>
<tr>
<td><strong>Gas Tax</strong></td>
<td>$100</td>
<td>$350</td>
</tr>
<tr>
<td><strong>Property Tax</strong></td>
<td>$1,000</td>
<td>no direct property tax</td>
</tr>
</tbody>
</table>
1. Is it fair that the Millers pay more income tax than the Carpenters?
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

2. Is it fair that the Carpenters pay much more gas tax than the Millers do?
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

3. Is it fair that the Millers, with no children, pay property tax to support schools and the Carpenters, who have three children, pay no direct property tax at all?
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________
   ____________________________________________________________

Activity 2

Think about other benefits the Millers and Carpenters might receive. Part of the Millers’ income probably comes from Social Security. Perhaps the Carpenters send a preschooler to a federally funded Head Start nursery school. Because of their income level, the Carpenters also qualify for free milk at school. Next, think about what other taxes the Millers and Carpenters might be paying.

How does their state’s income tax and sales tax affect each?
   ____________________________________________________________
   ____________________________________________________________

Activity 3

On another sheet of paper, make a tally sheet of possible “extras” that could be added to the chart above. Then, write a paragraph that explains why you think the Millers and Carpenters are being taxed fairly or unfairly.
   ____________________________________________________________
   ____________________________________________________________