

Teacher Lesson Plan

Theme 4: What Is Taxed and Why
Lesson 1: Federal/State/Local Taxes

Time Frame

One to four hours

Curriculum Area(s)

- Civics/Government
- Economics
- Technology

Purpose

To help students understand that federal, state, and local governments need revenues to provide goods and services for their residents

Objectives

Students will be able to

- identify the kinds of taxes most commonly collected by federal, state, and local governments.
- give examples of the goods and services most commonly provided by federal, state, and local tax revenues.

Materials

Online

[PowerPoint™ Presentation—Theme 4 Overview: What Is Taxed and Why Student Lesson—Federal/State/Local Taxes](#)

[Activity 1: Town Manager for a Day](#)

[Activity 2: Taxes in Your State](#)

[Activity 3: State and Local Revenue and Expenditures](#)

[Activity 4: Can You Balance the National Budget?](#)

[Assessment—Federal/State/Local Taxes](#)

[Assessment Solutions—Federal/State/Local Taxes](#)

Print (PDF)

[Teacher Lesson Plan](#)

[Info Sheet 1—Transaction, Income, and Property Taxes](#)

[Info Sheet 2—The State and Local Dollar](#)

[Worksheet—Tax Revenue and Decision Making](#)

[Worksheet Solutions— The Goals Behind Taxes](#)

[Assessment—Federal/State/Local Taxes](#)

[Assessment Solutions—Federal/State/Local Taxes](#)

[Complete Lesson Pack](#)

Web Links

State and Local Government <http://www.statelocalgov.net/index.cfm>

The National Budget Simulation

<http://www.econedlink.org/lessons/index.php?lid=306&type=student>

Background

The Constitution sets up a federal system of government by dividing powers among the national, state, and local governments. Citizens elect officials to serve at each of these three levels. The separation of powers restricts governmental power and prevents its abuse. Each governmental level has its own responsibilities, but there are many areas of overlap between federal, state, and local jurisdictions. Examples appear below.

- **Federal Responsibilities:** Defense, currency regulation, and foreign relations. In addition, the federal government has responsibility in health, education, welfare, transportation, and housing and urban development.
- **State Responsibilities:** State criminal code, working conditions, internal communications, and regulations of property, industry, business, and public utilities.
- **Local Responsibilities:** Police and fire protection, health regulations, education, public transportation, and housing.

Each level of government raises money through taxation of its citizens. Each level of government makes its own decisions about how and what to tax and how to spend the money. Although most federal revenue comes from **income taxes**, state and local revenues may come from **transaction taxes**, which are on the sale of goods and services; income taxes, which come from taxes on earned and unearned income; and **property taxes**, which come from taxes on property.

Key Terms

income taxes—Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

property taxes—Taxes on property, especially real estate, but also can be on boats, automobiles (often paid along with license fees), recreational vehicles, and business inventories.

transaction taxes—Taxes on economic transactions, such as the sale of goods and services. These can be based on a set of percentages of the sales value (ad volorem—sales taxes), or they can be a set amount on physical quantities (“per unit”—gasoline taxes).

Opening the Lesson

Show the PowerPoint™ Presentation—Theme 4 Overview: What Is Taxed and Why, or present the background information above. Explain that taxes are collected for our local, state, and federal governments.

Developing the Lesson

Have students name some taxes they or their families have paid recently. Students may mention sales tax on purchases; restaurant or hotel tax; gasoline tax; registration or license fees for a vehicle; federal, state, or local withholding tax; Social Security withholding tax; tax

on a phone bill; and hunting or fishing licenses. Explain that federal revenue comes from income taxes and that state and local revenue come from transaction taxes, income taxes, and property taxes. Use [Info Sheet 1—Transaction, Income, and Property Taxes](#) to supplement the discussion.

Online Activities

Direct students to [Student Lesson—Federal/State/Local Taxes](#).

Have students complete one or more of the following activities:

[Activity 1: Town Manager for a Day](#)—How will you raise revenue without cutting services in Springville.

[Activity 2: Taxes in Your State](#)—Take a virtual fieldtrip to learn more about taxes in your state.

[Activity 3: State and Local Revenue Expenditures](#)—Discover where state and local money comes from and where it goes.

[Activity 4: Can You Balance the National Budget?](#)—Try your hand at balancing the national budget.

Print Activity

Print [Worksheet—Tax Revenue and Decision Making](#) and distribute it to students.

[Worksheet Solutions—Tax Revenue and Decision Making](#)

Classroom Activity

Distribute [Info Sheet 2—The State and Local Dollar](#). Have students use online or print newspaper resources to find the main revenue and expense categories in a recent city, county, or state budget. Then, have students compare the budget information they find with that shown on the Info Sheet. Encourage students to identify similarities and differences in revenue and expenditures between the local situation and the average state figures reported on the Info Sheet.

Concluding the Lesson

Review with students the major categories of revenue and expenditures at the federal, state, and local levels. Make sure students understand that federal revenue comes from income taxes and that state and local taxes come from transaction taxes, income taxes, and property taxes.

Online Assessment

Direct students to complete [Assessment—Federal/State/Local Taxes](#) for this lesson.

[Assessment Solutions—Federal/State/Local Taxes](#)

Print Assessment

Print [Assessment—Federal/State/Local Taxes](#), and have students complete it on paper.

[Assessment Solutions—Federal/State/Local Taxes](#)

Links

Go to [Theme 1, Lesson 1](#), [Theme 2, Lesson 1](#), and [Theme 4, Lesson 2](#) for more information on taxes and their uses.