

Worksheet Solutions Politics of Taxation—Fairness and Compromise

Theme 5: Impact of Taxes Lesson 2: The Politics of Taxation

Key Terms

horizontal equity—The concept that people in the same income group should be taxed at the same rate. “Equals should be taxed equally.”

lobbyist—A person who represents the concerns or special interests of a particular group or organization in meetings with lawmakers. Lobbyists work to persuade lawmakers to change laws in the group’s favor.

tax credit—A dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

tax deduction—A part of a person’s or business’s expenses that reduces income subject to tax.

tax exemption—A part of a person’s income on which no tax is imposed.

Summary

The idea that people of equal incomes should pay the same amount in taxes is known as **horizontal equity**. In reality, people and businesses with exactly the same income almost always pay different amounts in taxes. This is because they can claim different **tax credits**, **exemptions**, and **deductions**.

When too many taxpayers benefit from tax breaks, tax revenues for the government may decline. Then lawmakers must decide on a new course of action. They may raise taxes or cut back on government services.

Lobbyists work to influence lawmakers’ decisions about tax laws. It is their job to let lawmakers know how laws affect certain people or businesses. Lobbyists do not always agree on issues or their solutions. Compromise becomes important in lobbying. Lobbyists, lawmakers, and the American people must work together to reach decisions about laws in order to make them fair to as many people as possible.



Activity 1

Match the tax issues to the groups that are likely to support them in the answer key. Write the letter of each group in the space before each tax issue.

Answer Key:

- A.** the wealthy
- B.** small business owners
- C.** homeowners
- D.** parents
- E.** environmentalists

- D** deductions for child care
- E** credits for buying fuel-efficient cars
- B** exemptions for small businesses
- C** mortgage deductions
- A** deductions for charitable giving

Activity 2

Answer Key:

- A.** big business owners
- B.** people without children
- C.** people who cannot afford to give
- D.** manufacturers of “gas guzzlers”
- E.** renters

- B** deductions for child care
- D** credits for buying fuel-efficient cars
- A** exemptions for small businesses
- E** mortgage deductions
- C** deductions for charitable giving

Activity 3

Choose one of the tax issues from Activity 1 or 2 and identify the economic goals of the groups that support it and oppose it. On a separate sheet of paper, draft a letter in the voice of a lobbyist who represents one of the groups.

Answers will vary.