

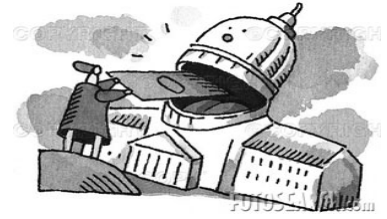


CHAPTER LEARNING OBJECTIVES

- 1. STUDENTS WILL BE ABLE TO DEFINE WHAT A TAX IS AND EXPLAIN WHY WE MUST HAVE TAXES**
- 2. STUDENTS WILL BE ABLE TO EXPLAIN WHERE THE GOVERNMENT GETS ITS AUTHORITY TO TAX**
- 3. STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE LIMITS ON THE POWER TO TAX**
- 4. STUDENTS WILL BE ABLE TO IDENTIFY, DEFINE, AND EXPLAIN THE CLASSIFICATIONS OF TAXES**
- 5. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE CHARACTERISTICS OF A GOOD TAX**
- 6. STUDENTS WILL BE ABLE TO EXPLAIN THE CONCEPT OF HOW TAX FAIRNESS AND BURDENS ARE DETERMINED**
- 7. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN SUCH BASIC TAX TERMS AS - TAX BASE, TAX RETURN, TAXIBLE INCOME, GROSS INCOME, PERSONAL EXEMPTIONS, DEDUCTIONS, AND WITHHOLDING**
- 8. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE 10 GENERAL TYPES OF TAXES**
- 9. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE CONCEPTS OF MANDATORY AND DISCRETIONARY SPENDING**
- 10. STUDENTS WILL BE ABLE TO IDENTIFY, DEFINE, AND EXPLAIN THE CONCEPTS BEHIND, AS WELL AS THE CHARACTERISTICS OF, ENTITLEMENT SPENDING PROGRAMS**
- 11. STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE GENERAL BUDGET REQUIREMENTS OF STATES**
- 12. STUDENTS WILL BE ABLE TO IDENTIFY, DEFINE, AND EXPLAIN THE SOURCES FOR STATE AND LOCAL TAX REVENUES**
- 13. STUDENTS WILL BE ABLE TO EXPLAIN THE LIMITATIONS ON STATE AND LOCAL TAXATION**

14. STUDENTS WILL BE ABLE TO IDENTIFY THE MAJOR WAYS THAT STATE AND LOCAL TAX REVENUES ARE SPENT

WHAT ARE “ TAXES ” ?



WHY HAVE TAXES ?

WHO GIVES THE GOVERNEMENT THE RIGHT TO TAX AND ON WHAT BASIS ?

WHAT ARE THE 5 LIMITS ON THE POWER TO TAX ?

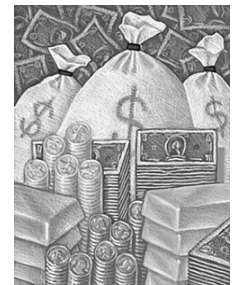
1.

2.

3.

4.

5.



WHAT ARE THE 3 CLASSIFICATIONS OF TAXES ?

1. “ PROPORTIONAL TAX ” -

2. “ PROGRESSIVE TAX ” -

3. “ REGRESSIVE TAX ” -



WHAT ARE THE 4 CHARACTERISTICS OF A GOOD TAX ?

- 1.
- 2.
- 3.
- 4.



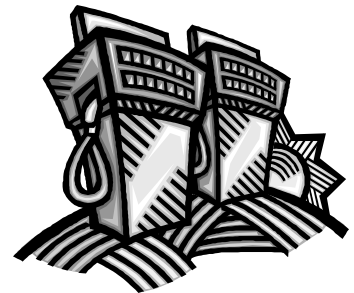
WHAT ARE THE 2 WAYS THAT TAX FAIRNESS IS DETERMINED ?

1. “ **BENEFITS RECEIVED PRINCIPLE** ” -
2. “ **ABILITY TO PAY PRINCIPLE** ” -



WHAT REALLY DETERMINES WHO CARRIES THE BURDEN OF A TAX ? IT ALL DEPENDS ON DEMAND !!

- 1.
- 2.



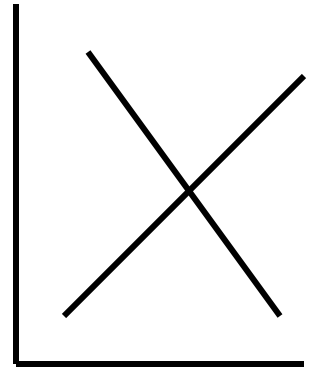
DR. HOLDEN VIDEO > INDIRECT TAXATION

“ **INDIRECT TAXATION** ” - IS TAXATION ON _____

TWO TYPES :

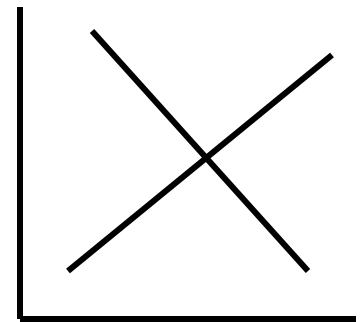
1. “ UNIT SPECIFIC TAX ” -

- A. WHAT TAX IS AN EXAMPLE ? _____ TAX
- B. HOW DOES IT AFFECT THE SUPPLY AND DEMAND CHART ? A _____ SHIFT OF THE _____ CURVE
- C. WHO IS RESPONSIBLE FOR PAYING THIS TAX ?
- D. THE PARTY RESPONSIBLE FOR CARRYING THE BURDEN, OR INCIDENCE , (PAYS THE MOST) OF THIS TAX IS DEPENDS ON THE _____ OF THE DEMAND AND SUPPLY FOR THE GOOD
- E. IF DEMAND IS INELASTIC THE _____ PAYS MORE AND IF DEMAND IS ELASTIC THE _____ PAYS MORE



2. “ AD VALOREM TAX ” -

- A. THESE ARE FAR MORE _____ AND AN EXAMPLE IS A _____ TAX
- B. HOW DOES IT AFFECT THE SUPPLY AND DEMAND CHART ? A _____ SHIFT OF THE _____ CURVE



SEVEN IMPORTANT TAX TERMS :

1. WHAT IS A “ TAX BASE ” ?
2. WHAT IS A “ TAX RETURN ” ?
3. WHAT IS “ TAXABLE INCOME ” ?



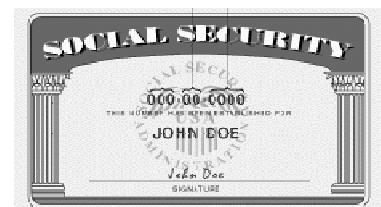
4. **WHAT IS “ GROSS INCOME ” ?**
5. **WHAT ARE “ PERSONAL EXEMPTIONS ” ?**
6. **WHAT ARE “ DEDUCTIONS ” ?**
7. **WHAT IS “ WITHOLDING ” ?**

THE 10 GENERAL TYPES OF TAXES :

1. **“ INCOME TAX ” -**
2. **“ SALES TAX ” -**
3. **“ PROPERTY TAX ” -**
4. **“ EXCISE TAX ” -**
5. **“ ESTATE TAX ” -**
6. **“ GIFT TAX ” -**
 - 1.
 - 2.
7. **“ IMPORT / TARIFFS ” -**
8. **“ SOCIAL SECURITY (OASDI - OLD AGE, SURVIVORS, AND DISABILITY INSURANCE) ” -**



1.



2.

3.

9. “ MEDICARE ” -

10. “ UNEMPLOYMENT (FICA) ” -

WHAT ARE THE 3 AMAZING TAX FACTS WE LOOKED AT ?

1.

2.

3.



WHAT ARE THE 2 GENERAL CONCEPTS WITH REGARD TO THE GOVERNMENT SPENDING TAX REVENUES ?

1. “ MANDATORY PROGRAMS ” -

“ ENTITLEMENT PROGRAMS / TRANSFER PAYMENTS ” ARE MANDATORY SPENDING PROGRAMS AND WHAT ARE THE CHARACTERISTICS OF THIS TYPE OF PROGRAM (ALSO WHAT ARE SOME EXAMPLES ?

1.

2.

3.

2. “ DISCRETIONARY PROGRAMS ” -



WHAT ARE THE 3 MAJOR CATEGORIES OF DISCRETIONARY SPENDING ?

- 1.
- 2.
- 3.

WHAT ARE SOME EXAMPLES OF OTHER DISCRETIONARY SPENDING ?

WHAT ARE THE 3 BUDGET REQUIREMENTS FOR STATE AND LOCAL GOVERNMENTS ?

1. “ OPERATING BUDGETS ” -
2. “ CAPITAL BUDGETS ” -
3. “ BALANCED BUDGETS ” -



WHAT ARE THE 6 REVENUE SOURCES FOR STATE AND LOCAL GOVERNMENTS ?

- 1.
2. “ LICENSING FEES ” -
3. “ TRANSFER TAXES ” -
4. “ SEVERANCE TAXES ” -
- 5.



6.

WHAT ARE THE 3 LIMITATIONS ON STATE AND LOCAL TAXATION ?



1.

2.

3.

WHAT ARE THE 6 WAYS STATE TAX REVENUE IS SPENT ?



1.

2.

3.

4.

5.

6.

ADVANCED CONCEPTS IN THE USE OF TAXATION

**USING TAXES TO SOLVE PUBLIC POLICY ISSUES >
POLLUTION NEGATIVE EXTERNALITY EXAMPLE :**



Assume that product X is produced in a perfectly competitive industry and that product X yields costs (pollution) to individuals who are neither consumers nor producers of product X .

Part 1 > Using one correctly labeled graph , show the industry output and price under each of the following conditions :

(a) The industry ignores the externality .

(b) The industry produces the socially optimum level of output .

Part 2 > Identify one policy the government might use to achieve the level of output you identified in (b)

