

Taxes: Choices and Trade-offs

OVERVIEW

In this federal tax simulation lesson, students representing “special interest groups” discuss, recommend, and lobby for a budget allocation for federal tax spending. Interest groups include military, education, housing, healthcare, social security, and the environment. The exercise continues over consecutive years in which taxes are lowered and raised.

INQUIRY/CRITICAL THINKING QUESTIONS

- How are federal taxes spent and what role do special interest groups have in influencing this process?
- What are some of the trade-offs when taxes are raised, lowered, or reallocated?
- What role do citizens have in influencing the allocation of tax dollars?

OBJECTIVES

Students will:

- Identify major spending categories for the federal government
- Recognize the role that special interest groups and citizens play in the federal budget process
- Understand the tradeoffs involved in funding and cutting government programs

TIME REQUIRED: 1 hour

KEY ISSUES/CONCEPTS

- Taxes
- Budgeting
- Government expenditures
- Costs, benefits, and trade-offs

SUBJECT AREAS

- **Social Studies**
(Economics, U.S. History)
- **Science** (Environmental)
- **Business/Finance**
- **Math**

NATIONAL STANDARDS CONSISTENCY

- **NCSS: 5, 6, 10**
- **NSES: F**

GRADE LEVEL: 7–11



FTF Related Reading

- Intermediate: Chapter 8 from *Global Issues and Sustainable Solutions*
- Advanced: Unit 6, Chapter 4, 5, and 6 from *It's All Connected*

Materials/Preparation

- Handout: *Special Interest Cards*, copy and cut into 6 cards (1 per group of 3-4 students)
- Handout/Overhead: *Tax Worksheet*, make 1 copy per group of 3-4 students and make 1 overhead

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Activity

Introduction

1. (Optional) Do a Sides Debate using the statement below (see Sides Debate lesson on page 28)
“Taxes are good for the health of a country.”
2. Tell the class that they are going to do an activity in which they take on the role of special interest groups who will recommend a federal budget allocation to you, the President of the fictional country of Paradise. Tell them that the federal budget is a statement of the federal government’s planned spending and anticipated income for the upcoming year.
3. Ask students to define *taxes* (i.e. money paid to the government by individuals and businesses in exchange for government services). You might also need to define social security. (i.e. a government insurance program that provides income and health benefits to retirees and others. Benefits paid are based on the monetary contribution an individual makes during his or her lifetime.)
4. Give the groups several minutes to “take on” their roles by reading, discussing, and completing the information on their identity card.
5. Give each group a copy of the *Tax Worksheet* and go over it with them using an overhead.
6. Begin the Year 1 budget cycle, which has a budget of \$25 million. Instruct groups to discuss and then pencil in a recommended dollar amount for their interest area on the *Tax Worksheet*.
7. Call the class to order to begin the Year 1 budget negotiations. Call on each special interest group 1 at a time and have them describe who they are, their specific objectives, and why they care about their issue. Have them tell you their recommended budget amount for their area of interest. As groups give you their recommendations, begin filling out the *Tax Worksheet* overhead (there is a strong likelihood you will change the final allocations, so use an erasable overhead pen).
8. If the recommended budget exceeds \$25 million (which is likely given that the Year 1

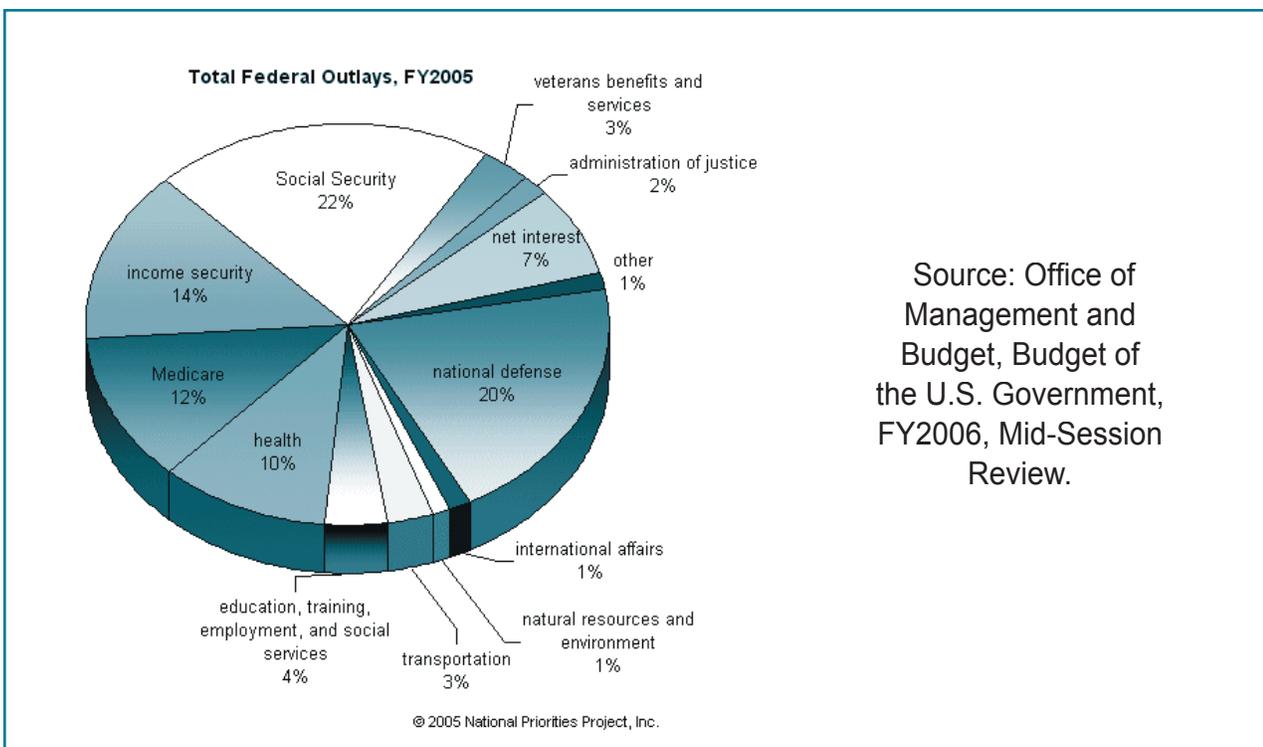
Steps

1. Arrange the class into 6 groups of 3-4 students and have each group randomly draw a *Special Interest Card*.

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budget will not meet the basic needs of all special interest groups), have the groups begin lobbying you for their interest area. Have the interest groups debate the merits of their recommended budget amounts to help reveal the complexity and importance of all issues at stake.

- Based on the interest groups' input, debate, and pressure, you will now make a final decision on the Year 1 budget allocation.
- Give groups a few minutes to respond and share with the class the question on the worksheet: "Briefly describe some of the implications of the Year 1 budget allocation. What spending areas might be negatively and positively affected?"
- Begin the Year 2 budget cycle. Announce that due to pressure from *Paradise Citizens Against Taxation*, you have authorized a tax cut of 20% so the total budget for Year 2 has been reduced to \$20 million. Each tax paying citizen (65,000 working adults) in Paradise will get a \$75.00 tax refund this year!
- Repeat the budget allocation steps for Year 2 with students recommending and lobbying for a proposed budget for their interest area. As President, you will decide on the final budget for Year 2. Students will respond to the questions on the worksheet.
- Begin the Year 3 budget cycle. Announce that due to pressure from *Paradise Citizens for Greater Public Services*, there has been a 50% tax increase to help address some of the budget shortfalls from the previous year, so the Year 3 budget total is \$30 million. Each tax paying citizen (65,000 working adults) in Paradise will pay an additional \$150.00 in taxes this year.
- Repeat the budget allocation steps for Year 3.
- Conclude with the following reflection questions.



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Assessment Reflection Questions

For Intermediate and Advanced Students

- What were some of the trade-offs when the budget was cut and when it was increased?
- Why are interest groups important? What role do interest groups play in shaping government policy? Why might an interest group form?
- What are some reasons a person might support a tax increase? What are some reasons a person might support a tax decrease?
- How might political factors influence allocation of the federal budget?
- How are federal taxes connected to global issues?

For Advanced Students

- How is the perspective of an interest group different from the perspective of the President when debating allocation of the federal budget?
- What trade-offs did your interest group have to make? How might these trade-offs impact people and the planet in the real world?
- If you were the President and were faced with the decision to raise taxes or cut government programs, which position would you choose and why?

Action Projects

- During campaign season, candidates are often willing to get involved in the community, so try inviting a candidate to your classroom to share their views on taxes. Encourage students to volunteer for a campaign of their choice.
- Research the concept of “progressive taxation” and national and international initiatives that advocate using taxes as a way to finance social development and alleviate global poverty. For a list of resources to help students get started, visit <http://www.stampoutpoverty.org/?lid=520>

- Visit www.facingthefuture.org and click on **Take Action**, then **Fast Facts Quick Actions** for other action project ideas related to taxes.

Additional Resources

Films

- *Economics* (from “Reinventing the World” series), David Springbett and Heather MacAndrew, Bullfrog Films, 2000. This 50 minute documentary examines the modern economic system and its purported benefits to global society.

Books

- *The Ultimate Field Guide to the U.S. Economy*, Heintz, Folbre, and the Center for Popular Economics, The New Press, 2000. A humorous guide to economic life in America.
- *Tax Shift*, Alan Thein Durning and Yoram Bauman, Northwest Environment Watch, 1998. A blueprint for shifting taxes from the things we want more of (pay checks and enterprise) to the things we want less of (pollution and resource depletion). Available in full-text download at http://www.northwestwatch.org/publications/Tax_Shift.pdf

Websites

- www.whitehouse.gov – U.S. government website where you can find, read, and download the federal budget.
- www.nationalpriorities.org –The National Priorities Project is a nonpartisan and nonprofit organization that offers citizen and community groups tools and resources to shape federal budget and policy priorities that promote social and economic justice.
- www.taxpolicycenter.org – The Tax Policy Center is a joint venture of the Urban Institute and Brookings Institution and is comprised of nationally recognized experts in tax, budget, and social policy.

Special Interest Cards for *Taxes; Choices and Trade-offs*

You represent **Paradise Veterans for Military Strength**, a group of war veterans who support increasing military funding to protect the country from terrorists. You estimate \$7 million needs to go into the Defense budget just to meet the basic defense needs of your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

You represent members of the **Paradise Association of Teacher Educators**. You are devoted to the education of all young people in the country of Paradise. You need \$4 million in the Education budget to meet basic education needs in your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

You represent members of the **Paradise Coalition for Universal Healthcare**. You lobby your government to establish a universal healthcare system to provide quality and affordable healthcare for everyone. You need \$5 million in the Healthcare budget to meet basic healthcare needs in your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

You represent the **Paradise Affordable Housing Corporation**. You collaborate with local and national governmental agencies in setting public policy and priorities for more affordable housing. You need \$3 million in the Housing budget to meet basic low income housing needs in your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

You represent members of the **Paradise Association of Retired Persons**. You are concerned with quality of life issues for senior citizens. You need \$5 million in the Social Security budget to meet basic social security needs in your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

You represent members of the **Paradise Environmental Network**, the largest environmental organization in the country. You work together to protect and promote the responsible use of the Earth's ecosystems and resources. You need \$4 million in the Environment budget to meet basic environmental needs in your country.

Discuss the specific objectives of your interest group.
Why does your interest group care about this issue?

Lesson 28 Handout: Tax Worksheet for *Taxes: Choices and Trade-offs*

Names: _____

You are members of the Special Interest Group _____ in the country of Paradise.

Paradise is a small country with the following vital statistics:

- Total population: 100,000
- School-age kids: (20%) 20,000
- Working adults: (65%) 65,000
- Senior citizens (15%) 15,000
- Wealthy class: (20%) 20,000
- Middle class: (50%) 50,000
- Poor: (30%) 30,000
- Total land area: 8,000 sq miles (about the size of New Jersey or the country of El Salvador)
- Natural areas/wildlands (mountains, lakes, rivers, etc.): 2000 square miles

		Federal Tax Spending					
	Total Budget	Military & Defense <small>1 million = 100 soldiers trained and supplied</small>	Education <small>1 million = 5,000 students reached</small>	Healthcare <small>1 million = Healthcare for 7,000 school-age kids and senior citizens</small>	Housing <small>1 million = Housing assistance for 10,000 poor people</small>	Social Security <small>1 million = Retirement for 3,000 senior citizens</small>	Environment <small>1 million = 500 square miles of natural land preservation</small>
Year 1	\$25 million						
<p>Briefly describe some of the implications of the Year 1 budget allocation. Which spending areas might be negatively and positively affected?</p>							
Year 2 Tax Cut of 20%	\$20 million						
<p>Briefly describe some of the implications of the Year 2 budget allocation. Which spending areas might be negatively and positively affected?</p>							
Year 3 Tax Increase of 50%	\$30 million						
<p>Briefly describe some of the implications of the Year 3 budget allocation. Which spending areas might be negatively and positively affected?</p>							