

Week #7: What Would You Do with a Million Dollars?

SITUATION: Your loving and generous grandmother just passed away and left you a check for a million dollars! You can do anything you want with the money. What would you do with the money?

INSTRUCTIONS: In a minimum of two paragraphs explain what you would do with the money. Then, draw 6 pictures of the things you would buy.

EXPLAIN WHAT YOU WOULD BUY IN AT LEAST 2 PARAGRAPHS BELOW:

DRAW 6 PICTURES BELOW:

Week #8: Government Spending

INSTRUCTIONS: Use the *Government Spending* reading to answer the questions below. This assignment is broken into 3 Parts.

Budget Business

If you could track your family's spending, you would see that money is spent on lots of things: housing, food, transportation, electricity, laundry soap, maybe even a vacation. Many people create a household **budget**, which is a plan for spending. Creating a budget involves looking at the things you need, the things you want, and how much money you are bringing in. You figure out how much you can afford to spend and what things you must do without. Usually, budgeting involves making choices: How much money should be spent on rent? Groceries? Gasoline? The cell phone bill? People find they must make cuts in some areas—buying generic cereal instead of brand name, or going without a smartphone—because other areas can't be cut so easily.



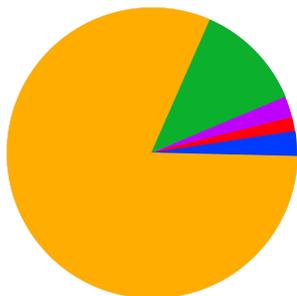
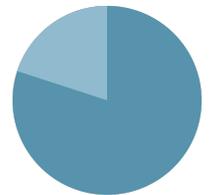
The Government's Budget

Just as it takes money to run a household, it takes money to run the government. The government must buy everything from fighter jets to ink for printing dollar bills to hand soap for the bathrooms at the Kennedy Space Center. And like people, the government also makes choices about how to spend its money: How much money should go for nuclear waste cleanup? The Department of Defense? Researching new energy sources? Supporting state education programs? Border patrol? Farmers? Each year, the U.S. government maps out how much money it expects to bring in and how much money it plans to spend. This overall plan is called the **federal budget**.



Mandatory Spending

Something *mandatory* is something you have to do. You don't get a choice. When Congress and the president are deciding how to budget the nation's money, there are some things they must spend money on. This is called **mandatory spending** – spending that is required by law. There is no choice about this spending, because lawmakers in the past have said it must happen. It would take a new law to change it. Programs that get mandatory spending include things like Social Security and Medicare for older Americans, and assistance for low-income families, the disabled, and military veterans.



Discretionary Spending

Discretionary is the opposite of mandatory. When something is at your *discretion*, that means it is your choice. **Discretionary spending** is spending that Congress decides on each year. Some of the things that receive discretionary spending might surprise you: The entire national defense budget is funded through discretionary spending. The list also includes things like air traffic control, nuclear energy, the federal justice system, and national parks.

The Budgeting Process

Every year, the president and Congress go through a back-and-forth process of deciding what next year's budget should be. All the government agencies and departments submit a budget request saying how much

money they need and want. The president makes a list of his own spending priorities, and so does Congress. They debate, negotiate, and finally compromise to create a budget that says how much money each government program will receive.

Government Debt

The fact is, the taxes the government collects from citizens and businesses don't always cover all of the government's expenses. That means the government must borrow money to meet its needs. It does this in a special way. Have you ever participated in a bake sale or a car wash to raise money? The way the government borrows money is kind of similar. But instead of selling cupcakes or candy bars, the government sells IOUs that say, "We promise to pay all your money back, plus some extra."



People buy these IOUs, which are called **securities**, because they know they will get more money back than they put in. What they are really doing is lending money to the government in exchange for a small fee, which is called **interest**. Because the U.S. government has a trustworthy reputation for paying people back, these securities are very popular. They are bought by people and businesses all over the world, and even by foreign governments.

A Balancing Act

Most people agree it would be best if our government didn't have to borrow any money. When you hear people talking about "balancing the budget," they are talking about creating a budget where the government does not spend more money than it brings in. When the government does spend more money than it brings in, that's called a **deficit** (DEF-ih-sit). Operating at a deficit for many years can have negative effects:



- The more money the government borrows, the more money it must spend paying interest to the people it borrowed from. That's money that can't be used to buy Coast Guard rescue equipment or pay forest rangers.
- The more the government depends on borrowed money, the more it is vulnerable to people suddenly deciding not to lend anymore. This could happen if people lose confidence that they will get their money back.

Ideally, most would like to see the government operate at a **surplus**, bringing in more money than it spends.

It's All About Priorities

You've seen where the government's money goes. But is it going where it *should* go? That question is at the heart of the biggest ongoing debate in the nation: How citizens' tax dollars should be spent. What should be included in the national budget? What should be cut out? People's opinions on these questions are shaped by what role they believe the government should play...

- In the economy. How much should government try to make sure people and businesses thrive? Should it give money to industries that are struggling? Spend money on projects that create jobs? Educate people?
- In keeping people safe. What should the government do beyond defending against attack? Should it make rules about food safety? Air pollution? Should it research cures for diseases? Give aid to poor, unstable countries?

→ In helping people prosper. How much should government be a safety net for citizens? What problems should government help people with? Medical care? Finding a job? Inability to work because of disability or old age?

PART 1

TRUE OR FALSE

- ___ 1. People agree about how the government should spend its money.
- ___ 2. By relying on borrowed money, the government is at risk if people stop lending.
- ___ 3. There are negative effects if the government operates at a surplus.
- ___ 4. "Balancing the budget" means the government borrows more money than it spends.
- ___ 5. People generally believe it's good for the government to borrow money.
- ___ 6. When people lend money, they usually charge a fee called interest.
- ___ 7. The government sells IOUs called cupcakes.
- ___ 8. The government can meet all its spending needs by collecting taxes.
- ___ 9. Mandatory spending is spending that Congress decides on each year.
- ___ 10. Social Security and Medicare spending are both required by law.

PART 2

MATCHING

Causes

Effects

- | | |
|---|---|
| ___ 1. Money is limited. | A. Sometimes the government must borrow money |
| ___ 2. There would be severe consequences if the government ran out of money. | B. U.S. securities are popular all over world |
| ___ 3. The U.S. has a trustworthy reputation for paying back loans. | C. There is a huge national debate about government spending |
| ___ 4. The government usually operates at a deficit. | D. People and governments must make choices about spending money |

____ 5. People have different ideas about how the government should its money

E. The government must spend money paying interest to lenders.

PART 3

A, B or Both? Read the statements below. Finish the statement by circling A, B or Both.

	A	B	Both
Budgets are for	Households	Governments	Both
Making a budget can include	Choices	Spending cuts	Both
Mandatory spending includes money for	Defense	Social Security	Both
Discretionary spending is	Congress's choice	Required by law	Both
Those who get a say in the federal budget include	The President	Congress	Both
Securities are	IOUs	A way to make money	Both
The world sees U.S. government securities as	Risky	Trustworthy	Both
Most people think the government should operate at a	Surplus	Deficit	Both
Borrowed money must be paid back with	Securities	Interest	Both
When it comes to government spending, people usually	Agree	Disagree	Both
The government gets money from	Citizens' tax dollars	Borrowing	Both
The government spends money on things like	Science Research	Courts	Both

Week #9: Taxation

INSTRUCTIONS: Use the Taxation reading to answer the questions below. This assignment is broken into 3 Parts.



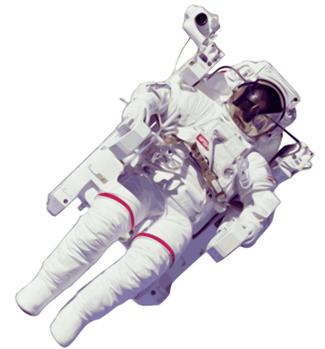
You Are a Taxpayer

You've probably thought of yourself as a student, a kid, maybe an athlete or an artist or a gamer, but have you ever thought of yourself as... a taxpayer? If you've ever bought anything, you've probably paid taxes. A **tax** is an amount of money citizens and businesses are required to pay so that the government can function and provide services. There are many kinds of taxes, and they exist at all levels of government. The taxes you pay support all

of the things the government does.

Government Services

So what does the government do? Just look around! If you've driven on a road, visited a library, gone to an airport, or been to a military base, you've seen the government in action. Many government services are designed to keep the nation and its citizens safe. The government inspects places where food is made, provides police officers and FBI agents, and keeps long-range missiles ready in case of attack. (Ever wondered how much a missile costs and who pays for it?)



Other services are designed to keep the nation's economy running smoothly by helping citizens earn a living and business be competitive. The government educates people, supports farmers and small business owners, and investigates companies that operate unfairly. There are services that help people who have fallen on hard times by offering them help finding jobs and buying food.



The government provides all kinds of other services, too. It improves our quality of life by maintaining parks and operating museums. It generates electricity, prints money, builds rockets, clothes prisoners, repairs traffic lights ... the list is endless! Thousands of people earn their living providing all these services to citizens. In fact, the federal government is the biggest employer in the nation.

Paying for Services

Most people would agree that going out to eat is fun... until the check arrives. But people accept that if they want to eat out, they have to pay the bill. It's the same with government services: If we want to have a military, or space rockets, or traffic lights, we have to pay for them. (Whether



people agree on what we should pay for is another question!) We pay for these things with taxes. There are many kinds of taxes.

Sales Tax

Sales tax is the tax you pay when you buy something. Government at all levels can impose sales tax. If you break down the total tax you pay on an item, you may find that part of it is city sales tax, part might be county tax, and part may be state sales tax. If you've noticed that sales tax varies from place to place, that's why. Also, not everything is taxed at the same rate. In many states, groceries are exempt from sales tax. States and local governments use sales taxes to fund many kinds of programs. Sometimes, citizens will even vote to impose a sales tax on themselves for a special purpose, such as education.



Excise Tax



While sales tax applies to all the stuff in your shopping cart, an **excise tax** only applies to certain products. States often put excise taxes on alcohol and tobacco. At the federal level, there are excise taxes on gasoline, air transportation, fishing equipment, and even indoor tanning! You won't usually see an excise tax listed on your receipt because it is a tax the seller owes to the government. However, sellers usually include the amount of the tax in the price of the item. That's why excise taxes are often called "hidden" taxes. As the consumer, you might not know the tax exists.

Income Tax

Income tax is the tax you pay on money you receive from various sources. Some income is money you earn by working at a job. There are other kinds of income, too. Banks pay interest on money you keep in a savings account. People who own buildings may receive rent from their tenants. People who own businesses receive money for the goods and services they offer. People can also receive income from investing their money in things like stocks. All of this income is taxable, which means people must report it to the government and may have to pay taxes on it.

INCOME TAX



Like people, businesses also pay income tax. The **corporate income tax** is a tax on profits made by corporations. Both the individual and corporate income tax are **progressive taxes**, meaning the more income or profit a person or company has, the higher tax rate they pay.

Social Security and Medicare Tax

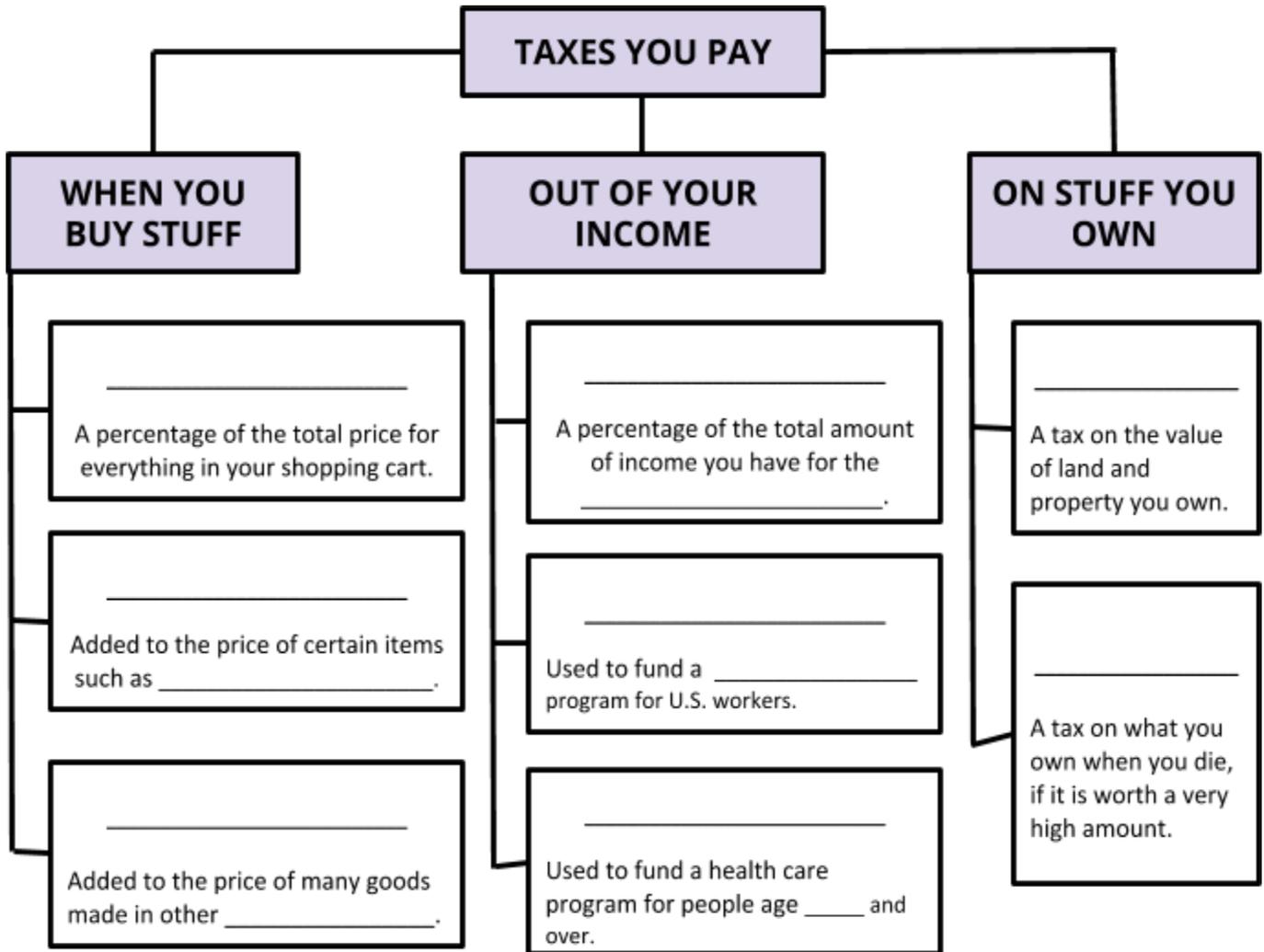
Social Security is the basic retirement program run by the federal government. During your working years, the **Social Security tax** takes a percentage of your earnings and puts it into the Social Security system.

Then, when you reach a certain age, you become eligible to receive monthly payments. People who become disabled and cannot work may also be eligible to receive payments



PART 2

TAX ORGANIZER. Use what you learned in the reading to complete this graphic organizer.



DON'T FORGET PART 3!



PART 3

Reality (Pay)Check. When you get a paycheck, your check stub offers lots of information about the taxes you pay. Study Wanda Worker's paycheck stub and answer the questions below.

Wanda W. Worker P.O. Box 1234 Anytown, STATE 87654		Employee #: 54-9832		Date: 5/5/2014 Amount: \$ 738.36		FEDERAL INCOME TAX SUMMARY						
HOURS AND EARNINGS						Current		YTD				
Description	Current Pay Period			Year to Date Earnings	Gross Pay		1,020.00		12,240.00			
	Hours	Rate	Earnings		Minus: Pre-Tax Deductions		93.00		1,116.00			
Regular Pay	72.00	12.75	918.00	11,934.00	Taxable Amount		927.00		11,124.00			
Paid Time Off (PTO)	8.00	12.75	102.00	306.00	Minus: Taxes		-188.64		-2,263.68			
TOTAL	80.00		1,020.00	12,240.00	Net Pay		738.36		8,860.32			
PRE-TAX DEDUCTIONS			TAXES			Company, Inc.						
Description	Current	YTD	Description	Current	YTD	Pay to: Wanda W. Worker \$ 738.36						
Health Insurance	42.00	504.00	FEDERAL SOCIAL SEC	92.70	1112.40	Seven hundred thirty-eight and 36/100						
401K Retirement	51.00	612.00	MEDICARE STATE	13.44	161.28	<i>Michael M. Manager</i>						
Total	93.00	1,116.00	Total	188.64	1,116.00							

1. How much does Wanda earn per hour?

\$ _____

2. What are Wanda's total earnings for the current pay period?

\$ _____

3. List the 4 kinds of taxes that are taken out of Wanda's check:

4. Which tax had the least amount taken out? The most?

Least: _____

8. What was Wanda's gross pay during the current pay period?

\$ _____

9. Was Wanda's entire gross pay taxable?

Yes No

10. The difference between gross pay and net pay is that gross pay is the amount a person earns before

—

while net pay is the amount they make after

—

11. Wanda receives a check for which amount?

Gross Pay Net Pay Taxable Amount

Most: _____

5. How much did Wanda pay in taxes this pay period?

\$ _____

6. How much has Wanda paid in total taxes this year?

\$ _____

7. How much federal tax has Wanda paid so far this year?

\$ _____

12. What are the two pre-tax deductions that are taken out of Wanda's check?

_____ &

13. Wanda paid \$93 toward health insurance and retirement. Did she pay taxes on that \$93?

Yes No

14. If Wanda's state did not have an income tax, how much extra money would she have kept so far this year?

\$ _____