

Tax-Supported Facilities and Services

Standard 6.9: Tax-Supported Facilities and Services

Give examples of tax-supported facilities and services provided by the Massachusetts state government and by local governments.
(Massachusetts Curriculum Framework for History and Social Studies) **[8.T6.9]**



["Tax The Rich" mural by Megan Wilson on Clarion Alley, San Francisco California](#) licensed under [CC BY-SA 3.0](#)

This standard explores how state and local governments use taxes to provide services and facilities for people. A **tax** is a fee or a charge that people have to pay. To understand what services you are entitled to receive as a member of a state or local community, it is essential to understand how state and local governments use tax monies, including how public education is funded.

Modules for this Standard Include:

1. [INVESTIGATE: People’s Taxes and How They Are Spent](#)
2. [UNCOVER: A Brief History of Taxation in the U.S.](#)
3. [ENGAGE: Should States Expand Lotteries to Raise Money for Communities?](#)

1. INVESTIGATE: People’s Taxes and How They Are Spent

Massachusetts collected **\$27.8 billion in taxes** in 2018. A billion is a thousand million. How big is a billion? If you saved \$100 a day, it would take you 27,397.26 years to reach \$1 billion ([UC Berkeley Museum of Paleontology, nd](#)).

Sources of Revenue

State and local governments in Massachusetts get tax revenue from multiple sources as shown in Table 6.9 (Learn more: [The State of the State \(and Local\) Tax Policy](#)).

Table 6.9 Sources of Revenue for State and Local Government

State Government	Local Government
-------------------------	-------------------------

property taxes	funds from state and federal government
individual income taxes	local property taxes
corporate income taxes	individual income taxes
sales taxes	charges for services such as water and sewer
motor vehicle license taxes	parking meter fees
marijuana sales taxes*	corporate taxes
other assessments	hotel taxes
	business license taxes

*Massachusetts gained a new source of tax revenue when the first legal recreational marijuana stores opened in the state in November, 2018. Marijuana has been legal for purchase by people 21 and older in Massachusetts, under certain conditions, since 2016 ([Marijuana in Massachusetts--What's Legal?](#)). Marijuana sales are subject to taxation. To explore marijuana taxation, read [What is Massachusetts Planning To Do with All That Marijuana Tax Revenue?](#), Boston.com, December 5, 2018 and [Weed Taxes Roll into Massachusetts](#), WBUR, July 8, 2019.

Areas of Spending

In Massachusetts, and in most state and local governments, spending falls into one of six broad categories: [elementary and secondary education](#), [public welfare](#), [higher education](#), [health and hospitals](#), [police and corrections](#), and [highways and roads](#) ([State and Local Expenditures](#), Urban Institute).

Explore [How Are My State Taxes Spent?](#) to see how much money is typically spent on the following services:

- Education
- Health Care
- Transportation
- Corrections
- Low-Income Assistance

- Parks and Recreation

Paying for Schools

“Education is the only area where the state tells cities and towns how much to spend on a local function. We don’t tell cities and towns how much to spend on a local fire department or on their public works department” (Jeff Wulfson, Massachusetts Department of Elementary and Secondary Education quoted in [Toness, 2019](#), para. 7).

Massachusetts uses a formula to determine what it thinks communities need to pay for the expenses of K-12 education—everything from teacher salaries to books and curriculum materials to the costs of maintaining school buildings. This is called the **foundation budget**. The current foundation budget is \$11,448 per student multiplied by the number of students in the school district. The foundation budget is the minimum amount that must be spent. State and local governments pay their share of the foundation budget based on a complicated formula.

Cities and towns may spend more than the foundation budget, but they have to raise that money themselves through local taxes. As a result, wealthier communities, if they choose to do so, can raise more money through taxes and spend more money on education than poorer communities. According to *Boston Magazine*, in 2017, Cambridge, Weston, Dover-Sherborn and Watertown spent more than \$20,000 per pupil while Haverhill, Lowell, Malden and Taunton were some of the communities spending less than \$14,000 per pupil.

Suggested Learning Activities

- **Discuss and Analyze**
 - What are people's rights as taxpayers?
 - Read and review the [Taxpayer Bill of Rights](#)
- **Research & Design**
 - Did you know that more money is spent on nuclear weapons than foreign aid? More money is spent on disaster recovery rather than climate change investments. The average U.S. taxpayer worked 63 days to fund military spending by the U.S. government. Explore the site: [Where Your Tax Dollar Was Spent in 2018](#).
 - [The National Priorities Project](#) is a Northampton, Massachusetts-based organization dedicated to making the federal budget accessible to citizens.
 - Create a public service announcement (PSA) video or podcast about a taxpayer issue of your choosing.

Online Resources for Government Spending and School Funding

- [The Federal Power to Spend](#), from Exploring Constitutional Conflicts
- [Who Sets Fiscal Policy--the President or Congress?](#) *Investopedia* (August 19, 2018)
- [How School Funding Works in Massachusetts, WBUR \(January 16, 2015\)](#)
- [How Progressive Is School Funding in the United States?](#) *Brookings* (June 15, 2017)
- [The States That Spend the Most \(and the Least\) In One Map](#) *The Washington Post* (June 2, 2015)
- [How Massachusetts Pays for Its Schools](#) is a WGBH video on how Massachusetts decides to distribute school funding.

2. UNCOVER: A Brief History of Taxation in the U.S.

In the article, "[The History of Taxes in the U.S.](#)," Fontinelle (2019) noted that "most of the taxes we pay today have been around for less than half of the country's history" (para. 2). The modern estate tax appeared in 1916; the federal income tax was established by the 16th Amendment in 1913; West Virginia established the first sales tax 1921; social security taxes were first collected in 1937.



Poster Declaring Women Who Pay Taxes Want Votes Too (1913)
Image on Wikimedia Commons/[Public Domain](#)

Broadly speaking, Americans pay seven different types of taxes ([Hess](#),

[2014](#)):

- **Income taxes** on the money or taxable income made by individuals and corporations. The first income tax was put in place in 1862 to help pay for the Civil War.
- **Sales taxes** on goods and services purchased.
- **Excise taxes** on items such as gasoline, cigarettes, beer, liquor, etc...
- **Payroll taxes** on salaries to cover Social Security and Medicare.
- **Property taxes** on value of real estate.
- **Estate taxes** on cash and other assets when a person dies.
- **Gift taxes** on items of value given to a person by another person.

While everyone pays taxes, the richest Americans pay the least, concluded economists Emmanuel Saez and Gabriel Zucman (2019). While all income groups pay about 28% of their income in taxes, the very top earners - billionaires or the 400 wealthiest individuals - pay only 23%. Corporations pay a 21% tax rate. You can track the accumulation of wealth at [The World's Real-Time Billionaires](#) from Forbes.



People filling out tax forms in Internal Revenue office, 1920
(Credit: [Library of Congress](#)/Public Domain)

The Constitution gives Congress the power to tax and spend, otherwise known as the “**power of the purse.**”

The Internal Revenue Service (IRS) is the nation’s tax collection agency. Following the passage of the 16th Amendment, it was originally known as the Bureau of Internal Revenue, and renamed the Internal Revenue Service in 1952.

Once tax money is collected, the Federal Government engages in two types of spending: **Mandatory Spending** (required spending for programs such as Medicare, unemployment, social security and interest on the national debt) and **Discretionary Spending** (all the other spending that is requested by the President and approved by the Congress). Military spending now accounts for almost 60% of all

discretionary spending and the rest goes to education, transportation, housing, energy, environment, food, agriculture and everything else.

At the center of discussions about taxes are the terms [Progressive Taxes](#) and [Regressive Taxes](#). The **progressive income tax** was institutionalized by the [16th Amendment to the Constitution](#) in 1913. Under a progressive income tax system, the more money a person makes doing work, the more money that person owes in taxes.

Much of the Massachusetts tax system is regressive, not progressive. **Regressive taxes**, such as sales taxes, force those with the least money to contribute a higher percentage of their total income to cover taxes. For example, Mary has a weekly salary of \$300 and Julie has a salary of \$1,500, but both pay a \$6 sales tax on their \$100 grocery bill. Mary pays 2% of her weekly salary in taxes while Julie only pays 0.4% of hers ([Why the Sales Tax is Considered a Regressive Tax](#), AccurateTax, 2017). Similar to sales taxes, property taxes, payroll taxes, and excise taxes all require lower-earning individuals and families to pay a higher percentage of their income in taxes.

The Massachusetts income tax is somewhat less regressive in nature. Since everyone pays Massachusetts income taxes at a flat rate, lower-income households pay less than do higher-income households.

Nationally and at the state level, there are calls for establishing more fair and equitable tax policies by increasing taxes on the wealthiest individuals and families. [New York State extended its “millionaire tax” through 2024](#). Under its millionaire tax, those making more than one million dollars a year pay taxes at a higher rate than everyone else.

Noting that the richest 130,000 families now have nearly as much wealth as the bottom 117 million families combined, 2020 Presidential candidate Elizabeth Warren proposed an [“Ultra-Millionaire Tax”](#) that would place additional taxes on those making more \$50 million a year. Presidential candidate Bernie Sanders also proposed a [Tax on](#)

[Extreme Wealth](#) as part of his 2020 campaign.

Suggested Learning Activity

- **Debate** (in person, on social media, or on [Flipgrid](#))
 - Should everyone pay the same percentage of their income in taxes or should those with more money pay more in taxes?
 - Should minors (individuals under 18 years old) be required to pay taxes?
 - [Does a Teenager Have to File a Tax Return?](#) *The Balance*, May 30, 2019.
 - [Teens and Taxes: The Five Most Significant Things A Teen Needs to Know](#)

Online Resources for Taxes and History of Taxation

- Lesson Plans:
 - [Regressive Tax Lesson Plan](#)
 - [Progressive Taxes Lesson Plan](#)
- [Getting to Know the Commonwealth Formerly Known as “Taxachusetts”](#), American Bar Association, November 18, 2016
- [History of the U.S. income tax](#), Library of Congress
- [History of the IRS](#)

3. ENGAGE: Should States Expand Lotteries to Raise Money for Communities?

A **lottery** is a drawing of lots (tickets with numbers) in order to award prizes to individuals who have paid money to buy chances to win.

Forty-eight governments (45 states plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands) operate lotteries. Massachusetts began its lottery in 1972; MegaMillions started in 2000 and Powerball in 2010. By law, youngsters under 18 years old cannot buy lottery tickets, although adults can purchase them for minors as gifts.



Image on Wikimedia Commons/[Public Domain](#)

Lotteries generate huge sums of money for state governments. One study found that Americans spent \$71,826,670 on lotteries in 2017 or about \$220 for every individual in the country. People in Massachusetts spent the most, about \$737.01 per person ([McCarthy, 2019](#)).

The lottery does generate money for communities. In Massachusetts, 72% of lottery revenue is paid out in prizes (most states pay out less); 8% goes to cover operating expenses; and the remaining 20% is returned to cities and towns throughout the state (Massachusetts State Lottery Commission, 2019). Proponents contend lotteries provide needed revenue for cities and towns; opponents question whether the money goes to the communities that need it the most.

Lotteries are a form of regressive taxation where lower-earning individuals spend a higher percentage of their incomes on games of chance. A few people do win large amounts of money, but the likelihood is extremely small. Odds of winning the Mass Cash Jackpot is 1 in 324,632, while the odds for MegaMillions is 1 in 176 million and the odds for Powerball is 1 in 292 million. A person is 20,000

times more likely to be struck by lightning than winning a MegaMillions top prize.

Suggested Learning Activities

- **Research & Discuss**

- Examine the mathematics of lotteries, probabilities, and games of chance with the [Local Lotto Curriculum](#) at the City Digits website developed by Laurie Rubel and her team at Brooklyn College.
- After examining the mathematics of lotteries, discuss whether you will buy lotto tickets when you turn 18 years old.

- **Design an Infographic**

- Display the probabilities of winning a lottery versus other likely and unlikely events (e.g., getting eaten by a shark!).

- **Discuss & Debate**

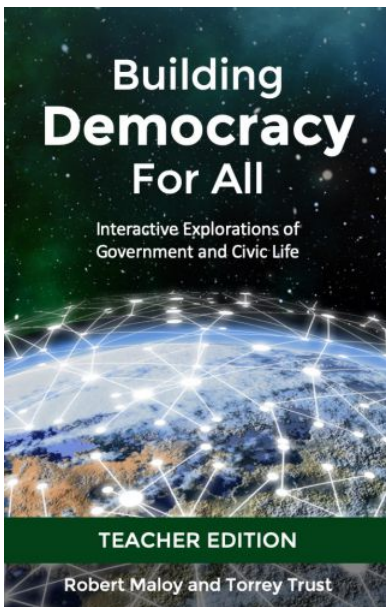
- Are Lotteries an effective public policy?
- Why do Massachusetts people spend the most on lotteries of any state in the nation?
- How should states distribute the money from lottery sales?

Online Resources for Lotteries

- [See How Much Money Your City or Town Gives, and Gets, from the Lottery](#), WBUR (November 20, 2018).
- VIDEO: [The Lottery: Last Week with John Oliver](#) (note: The language isn't appropriate for students, but the stats are intriguing).

Standard 6.9 Conclusion

Taxes and how state and local governments spend them were the focus of this standard. **INVESTIGATE** examined what taxes people pay and how some of those funds are used to support public education. **UNCOVER** reviewed the history of taxation, including progressive and regressive taxation. **ENGAGE** asked whether lotteries are a fair and sensible way to raise money for communities.



Maloy, R. W. & Trust, T. (2020). *Building Democracy for All: Interactive Explorations of Government and Civic Life*. EdTech Books. Retrieved from <https://edtechbooks.org/democracy>