

## 6.9

# 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](#)

In 1789, a few months before his death, the American revolutionary Benjamin Franklin wrote to his friend and French scientist, Jean-Baptiste Le Roy, **"Our new Constitution is now established, everything seems to promise it will be durable; but, in this world, nothing is certain except death and taxes"** ([Benjamin Franklin's Last Great Quote and the Constitution](#), *Constitution Daily*, November 20, 2020).

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.

Debates over tax policy tend to focus on whether to implement a more

progressive tax system, which relies on those who earn more income to pay more tax, or to maintain a mainly regressive tax system which is uniformly applied, such as a sales tax or a lottery, that results in those with a lower income paying more of their income in taxes.

## 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?](#)  
[MEDIA LITERACY CONNECTIONS: Advertising the Lottery](#)

# 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](#)).

In Fiscal Year 2021, the federal government collected \$3,863 trillion in taxes ([U.S. Government Tax Revenue](#)). A trillion is a million, million; one trillion seconds equals 31,546 years ([How Big is a Trillion?](#)).

How much money do people pay in taxes every year? Looking at the 153 million American households who filed federal income taxes in 2018, one commentator found those earning between \$40,000 and \$50,000 paid \$2,859. Those who earned less paid less; someone earning between \$20,000 and \$25,000 paid \$994. Those who earn more, paid more; someone earning 1 million to 1.5 million paid

\$313,160 ([The Motley Fool](#), December 31, 2020).

But, there are more taxes than federal taxes. Using figures from the Bureau of Labor Statistics, other analysts found over their lifetime, Americans will pay \$525,037 in taxes on earnings, expenditures (sales), property, and automobiles, a figure that varies by state -- those in New Jersey will pay the most; those in West Virginia the least ([USA Today](#), April 1, 2021).

At the same time, many wealthy Americans pay less than their fair share due to loopholes and deductions in the tax laws. Donald Trump famously paid only \$750 in federal income taxes in 2016 and 2017, and no taxes at all for 10 of the previous 15 years ([MakeIt, CNBC](#), September 28, 2020).

You can learn more at [The Secret IRS Files: Trove of Never-Before-Seen Records Reveal how the Wealthiest Avoid Income Taxes](#) from ProPublica (June 8, 2021).

You can compare your own salary to that of a billionaire with an interactive called [You vs. A Billionaire](#) from RS Components, an electronics company located in the United Kingdom.

## **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

<b>State Government</b>	<b>Local Government</b>
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.

By 2021, every state except Nebraska and Idaho have legalized marijuana in some form. You can explore [state-by-state policies with this interactive map](#).

## **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](#)



## Types of Taxes

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.

## **Progressive and Regressive Taxation**

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.

## Racial and Gender Bias in the Tax System

Racial and gender bias is built into the U.S. Tax system, notes reporter [Clark Merrefield](#) in a post for *The Journalist's Resource*, a blog from the Shorenstein Center on Media, Politics and Public Policy at Harvard University. In theory, everyone's tax bills are unrelated to their race, ethnicity, or gender. No law states that a White American can pay less taxes because they are White.

In practice, however, **deductions** (a reduction in amount of income to be taxed) and **exclusions** (income that is not taxed) result in significant savings (\$489 billion in 2016) for those who qualify for them; and those who qualify are disproportionately White households. Federal tax deductions and exclusions include home mortgage interest, state and local taxes, charitable contributions, tax-exempt bonds, life insurance exclusion, pension exclusion, capital gains exclusion, home sales exclusion, and estate set-up exclusion.

Many of these deductions and exclusions are out the reach of low-income individuals and families. One is less likely to make charitable donations, for example, if one is struggling to make enough money to live at or just above the poverty line. There is a enormous **wealth gap** in U.S. society in which White Americans have 10 times the wealth of Black Americans and 8 times that of Latina/o Americans (Brown, 2021, p.18). Economist Dorothy A. Brown (2021) concluded that across all income levels, Black Americans "are paying more taxes than white Americans because our tax laws were designed with white Americans in mind" (p. 21).

## 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 have been part of American society since colonial times. Massachusetts had the first authorized lottery in Boston in 1745; 25,000 tickets were sold. Rhode Island soon did the same, starting their first lottery to build a bridge over the Weybosset River in Providence. You can learn more at [Colonial America Lotteries](#) from The Ephemera Society of America.

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. While the average American spends \$288 on lottery tickets, Massachusetts residents spent the most money of any state in the nation; about \$933 per person annually, more than \$300 more than people in Rhode Island, the next highest state (Jacoby, 2021, p. K5). Five percent of the state's people said they play the lottery everyday ("[These 22 States Love Playing the Lottery the Most.](#)" July 28, 2020).

Proponents contend lotteries provide needed revenue for cities and towns since state governments do redistribute some of the money they take in from lottery sales as prizes for winners and financial support for local 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).

Opponents of lotteries question whether the money goes to the communities that need it the most ([How to Fix the Unfair Distribution of Revenue Collected by the Massachusetts State Lottery](#), 2018).

There is also deep concern that lotteries promote an addiction to gambling since it is so easy to purchase tickets at stores. There are also equity issues since households in the lowest income brackets (making \$30,000 or less a year) spend significantly more lottery tickets than those earning higher incomes (\$75,000 a year and up).

## **Media Literacy Connections: Advertising the Lottery**

A lottery is a **game of chance**. Players are not guaranteed to win; in fact, hardly anyone ever does. The thrill that keeps people playing and paying is the hope that "today might be your lucky day" - the time when it all comes together and you win big money with its accompanying celebrity status.

Lotteries are a form of **regressive taxation** where lower-earning individuals spend a higher percentage of their incomes on games of chance in which they have little opportunity to earn back what they spend. A few people do win large amounts of money, but the likelihood is extremely small. The chance of winning a Mega Millions jackpot is about 1 in 302.5 million; the odds of being struck by lightning are only 1 in 500,000.

In the following activities, you will uncover how lottery advertisements are designed to persuade people to gamble their money and then you will inform people about their chances of winning the lottery.

- [Activity 1: Analyze Lottery Advertisements](#)
- [Activity 2: Inform People About Their Chances](#)

## 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

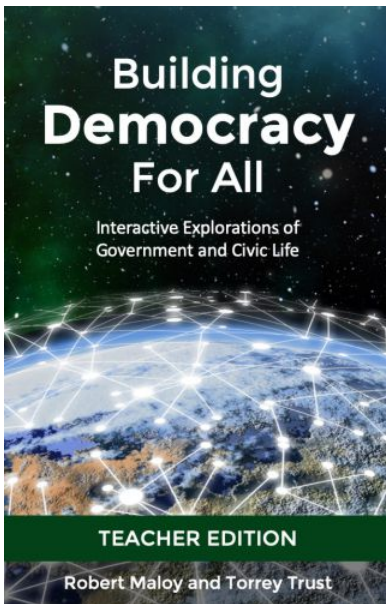
- [See How Much Money Your City or Town Gives, and Gets, from the Lottery](#), WBUR (November 20, 2018).
- VIDEO: [The Lottery: Last Week with John Oliver](#) (note: The language isn't appropriate for students, but the stats are intriguing).

## 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*. EdTech Books. <https://edtechbooks.org/democracy>