



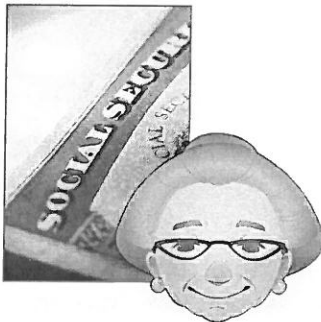
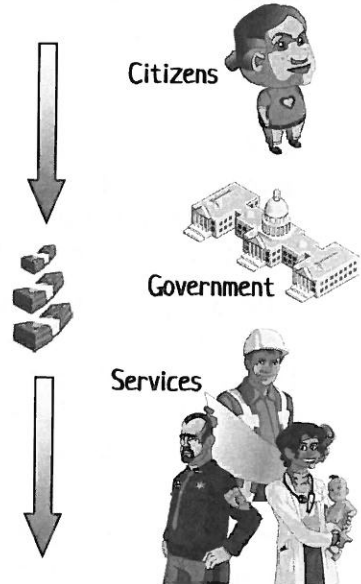
Excise Tax

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.

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.



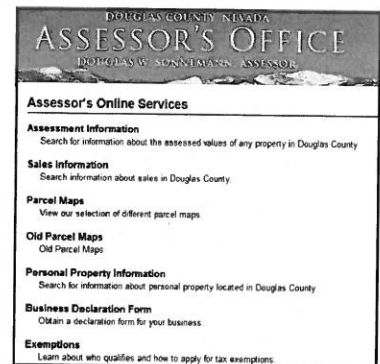
Social Security and Medicare Tax

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 from Social Security. **Medicare** is the federal government's health care system for people age 65 and over. Money for this program also comes out of your paycheck in the form of a tax.

Other Taxes

There are many other kinds of taxes the government collects:

- Local governments collect **property taxes**, which are taxes people pay on land they own. Schools and fire services are often funded with property taxes.
- The **estate tax** is a tax the government collects when a person dies. Often called "death taxes," the estate tax only applies when everything the deceased person owned is worth a *lot* of money—usually millions of dollars. Most people don't have to worry about this tax.
- The government also imposes **tariffs**, which are taxes on goods that are imported to the U.S. from other countries. The purpose of tariffs is to help U.S. companies compete with foreign companies.



In most places, a County Assessor decides what land is worth for property tax purposes.



You Are a Taxpayer

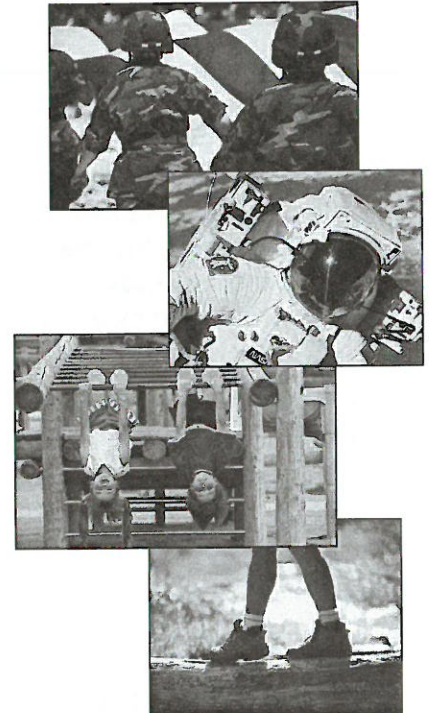
You've probably thought of yourself as a student, a kid, maybe an athlete or an artist or a gamer, but have you ever thought of yourself as... a taxpayer? If you've ever bought anything, you've probably paid taxes. A **tax** is an amount of money citizens and businesses are required to pay so that the 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.

