Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Taxes: A fundamental foundation of our nation, yet hated by all

Economics and Finance

Our country has a tricky relationship with taxes. They were a huge underlying cause of our independence because they weren’t appropriately administered, and yet now we see them in every aspect and sector of our economy. Use this activity to get a better understanding of our history with taxes and how they work in our country today.

**READ THIS: Some of these exercises will have the instructions *blatantly* explained so that you can easily locate any information you need. Others, however, will not be as explicit and will require you to research the information on your own. This encourages you guys to actually take some initiative in your work and to figure out the answers without my help. This is a valuable life skill. If you ask questions about those particular exercises and have not read these directions, I will flat out ignore you. Some of you are harder to ignore than others, so please do not make me do this. Simply read these directions and take some initiative.**

1. **History of the Income Tax**

* What is the income tax?
* Why is it (right now) a necessary part of our economy?

Go to this webpage <http://www.infoplease.com/ipa/A0005921.html> to answer the following questions about the history of the income tax. This will require a little bit of reading. You can do it.

* When was the first income tax put in place and why?
* When did it become a permanent fixture in our economy? Why was this particularly important during WWII?
* Based on the information you just learned, why is income tax an extremely viable option for the government when the economy is going well? Why is it a bad option when the economy is doing poorly?

1. **Income Tax vs. Sales tax**

You may use the internet as a reference point for some of these questions.

* What is a sales tax?
* What is the current sales tax rate in Virginia? Are there multiple sales tax rates in our states? ***Why might that be?***
* There has been discussion in our country about completely getting rid of the income tax and replacing it with a much higher sales tax.

**Do you think this is a viable option? Why or why not?** Do some research to back up your opinion.

* If we just went to a sales tax, how different would our economy be? Would it change the way you spent your money? **This question involves a little bit of critical thinking, so please think critically.**