

Chapter 12 Test Paying for Government

True/False

Indicate whether the sentence or statement is true or false.

- _____ 1. The costs of government are paid with public funds.
- _____ 2. The number of people receiving benefits from the federal government has decreased in recent years.
- _____ 3. The national debt requires huge interest payments.
- _____ 4. Taxes are compulsory.
- _____ 5. Government programs with the lowest priority get funded first.
- _____ 6. Taxes on imports discourage business activity in the United States.
- _____ 7. People with very low incomes are only required to pay income taxes.
- _____ 8. Local property taxes are set based on the owner's income.
- _____ 9. The individual income tax is a progressive tax.
- _____ 10. City governments never collect individual income taxes.

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 11. Generally, the United States uses tariffs to
 - a. give citizens more exemptions.
 - b. regulate trade.
 - c. influence domestic policy.
 - d. increase tax deductions.
- _____ 12. Individual income tax is based on a person's
 - a. real and personal property.
 - b. willingness to pay.
 - c. total income.
 - d. taxable income.
- _____ 13. Taxpayers can deduct all of the following from their individual income taxes EXCEPT
 - a. charitable contributions.
 - b. personal expenses.
 - c. interest on house mortgages.
 - d. some medical bills.
- _____ 14. A person with a high income
 - a. is charged a higher sales tax than a person with a low income.
 - b. pays more money in taxes than a person with a low income.
 - c. has more tax exemptions than a person with a low income.
 - d. receives a higher rate of interest than a person with a low income.
- _____ 15. The costs of government have gone up for all of the following reasons EXCEPT
 - a. the dollar will not buy as much as it used to.
 - b. the U.S. population has grown.
 - c. government has established new priorities.
 - d. there are larger and more expensive services and programs.

- _____ 16. A wealthy friend of the family purchases a yacht and a Rolls Royce. The tax that this person will have to pay is called a(n)
- a. excise tax.
 - b. estate tax.
 - c. real property tax.
 - d. tariff.
- _____ 17. If the United States had a balanced budget,
- a. each state would receive the same amount of money from the federal government.
 - b. the amount of money that was spent would equal the amount of money that was brought in.
 - c. the same amount of money would be spent on all government programs.
 - d. the amount of money that was brought in would exceed the amount of money that was spent.
- _____ 18. A city government is planning to raise property taxes on all real property within the city limits. The government will base the new rate on the
- a. total income of the people who live in the city divided by the value of the city's real property.
 - b. total amount of sales tax collected over the past year.
 - c. value of the city's real property divided by the amount of money the city needs.
 - d. amount of money the city needs divided by the value of the city's real property.
- _____ 19. A person who earns \$75,000 a year is taxed at a higher rate than a person who earns \$15,000 a year. The principle that is being applied here is that taxes should be
- a. applied equally to all.
 - b. easy to pay.
 - c. based on ability to pay.
 - d. based on total income.
- _____ 20. The national debt cannot be higher than the debt limit established by
- a. Congress.
 - b. the General Accounting Office.
 - c. the Constitution.
 - d. the Supreme Court.
- _____ 21. Taxes on imports are often high so that
- a. no imports will be brought into the country.
 - b. imports will be encouraged.
 - c. business activities in the United States will be encouraged.
 - d. business activities in the United States will be discouraged.
- _____ 22. The government raises money in all of the following ways EXCEPT
- a. selling dog licenses and hunting licenses.
 - b. charging fines for exceeding the speed limit.
 - c. selling timber from national forest reserves.
 - d. charging fees to build highways.
- _____ 23. Debate over the federal government's budget usually centers on whether the government should
- a. change its priorities.
 - b. collect taxes.
 - c. sell stock.
 - d. sell bonds.
- _____ 24. People who work have part of their income taxed to help the government finance the
- a. cost of assessing real property.
 - b. Social Security program.
 - c. Office of Management and Budget.
 - d. General Accounting Office.
- _____ 25. People who lend money to the federal government
- a. buy savings bonds.
 - b. help reduce the national debt.
 - c. pay lower property taxes.
 - d. do not receive interest.
- _____ 26. In 2000 the federal government spent approximately
- a. \$2.8 billion.
 - b. \$96.7 billion.
 - c. \$1.8 trillion.
 - d. \$23 trillion.

- _____ 27. All of the following are paid for by local governments EXCEPT:
- a. trash removal.
 - b. parks.
 - c. unemployment benefits.
 - d. firefighters.
- _____ 28. The largest cost to the federal government is
- a. benefit payments to the elderly, disabled, or poor.
 - b. national defense.
 - c. education.
 - d. payments on the debt.
- _____ 29. High taxes on cigarettes and alcohol are partly intended
- a. to pay down the national debt.
 - b. to discourage imports.
 - c. to discourage their use.
 - d. to pay for legal fees.
- _____ 30. Which of the following is NOT a principle of taxation?
- a. ability to pay
 - b. equal application
 - c. scheduled payment
 - d. exemption status
- _____ 31. Self-employed people
- a. are responsible for withholding funds to pay their taxes.
 - b. pay slightly lower taxes than employees of big companies.
 - c. do not have to pay unemployment taxes.
 - d. are not required to meet the April 15 payment deadline.
- _____ 32. If taxpayers miss the April 15 payment deadline,
- a. they can be put in jail.
 - b. they are charged interest and penalty fees.
 - c. they could lose their job.
 - d. they become ineligible to run for public office.
- _____ 33. For which of the following might you be charged a fine?
- a. a hunting license
 - b. a marriage license
 - c. a traffic violation
 - d. all of the above
- _____ 34. A government bond is a certificate stating
- a. that the government will lower your taxes within a certain time frame.
 - b. that the government has borrowed a certain amount of money from the owner of the bond.
 - c. that a person owes the government a certain amount of money in back taxes.
 - d. none of the above
- _____ 35. The amount of a tax exemption is adjusted according to
- a. the national debt.
 - b. the individual's yearly income.
 - c. the economic inflation rate.
 - d. the exchange rate.
- _____ 36. State income tax rates
- a. are lower than federal rates.
 - b. are higher than federal rates.
 - c. are the same as federal rates.
 - d. are the same as local rates.
- _____ 37. For which tax is the amount paid by the individual matched by his or her employer?
- a. excise tax
 - b. property tax
 - c. Social Security tax
 - d. income tax
- _____ 38. The chief source of income for most local governments is the
- a. income tax.
 - b. sales tax.
 - c. property tax.
 - d. excise tax.

Name: _____

ID: A

- _____ 39. A gift tax must be paid by any person who
- a. gives a gift worth more than \$10,000.
 - b. receives a gift worth more than \$10,000.
 - c. inherits an estate.
 - d. is a public official.
- _____ 40. Before the federal government began collecting personal income taxes, an important source of revenue was
- a. estate taxes.
 - b. tariffs.
 - c. inheritance taxes.
 - d. bonds.

Essay

- 41. What are the four principles of fair taxation? Give examples from the textbook.
- 42. Discuss at least seven kinds of taxes that Americans pay, and identify the level of government that collects each tax.
- 43. Explain how the government manages the revenue that it collects.
- 44. What are some reasons for the high costs of government? Explain why the costs of government have been rising, and suggest some ways that they could be lowered.
- 45. How do citizens pay for the costs of government? Do all citizens receive equal benefits for paying these costs? Explain your answer.