

## Money Matters

**Time Needed:** One class period

**Materials Needed:**

Student worksheets

**Copy Instructions:**

Reading, Guided Notes and Extension pages (*class set; single-sided*)

Processing Activity Page (*class set; double-sided*)

**Learning Objectives.**

Students will be able to:

- define the following key terms: mandatory, discretionary, revenue, surplus, and deficit.
- identify types of taxes and the purposes for which taxes are used.
- analyze the decisions made when trying to balance a nation's budget.

### STEP BY STEP

- ANTICIPATE**      the lesson by asking the following question: "What are *needs* and how are they different from *wants*?"

**IF USING THE POWERPOINT PRESENTATION**

- DISTRIBUTE**      the Money Matters Guided Notes.
- RUN**                the Money Matters PowerPoint presentation using the built in questions as an opportunity for class review and as a check for understanding. Guide students through the notes, using the teacher's guide as a reference.

**IF USING THE PAPER-BASED OPTION**

- DISTRIBUTE**      the Money Matters Reading and Money Matters Guided Notes.
- READ**                through the Money Matters Reading as a class, stopping to review and check for understanding.
- INSTRUCT**        students to complete the Money Matters Guided Notes page, individually, in pairs, or as a whole class activity.

- DISTRIBUTE**      the Money Matters Processing Activity (2 pages).
- REVIEW**            instructions for the Processing Activity and instruct students to complete the activities.
- DISTRIBUTE**      the Money Matters Extension Activity and allow students to finish as there is time.

# Money Matters

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



When the government needs more money, it can't just start printing hundred dollar bills. The government's money has to come from somewhere... like TAXES! Most people don't like paying taxes, but without taxes our government would run out of money to fund the military, help the needy, build roads, and provide important services! There are several types of taxes that the government uses to raise revenue. **Revenue** is the money collected by the government. It's like the government's income.

## U.S. Government Revenue Sources:

**Income Tax**

This tax is based on a percentage of what you make. The more you make, the higher

**Social Security**

This tax is taken to provide retired people with income they need. In 2010 it was 6.2% of your total income!

**Corporate Income Tax**

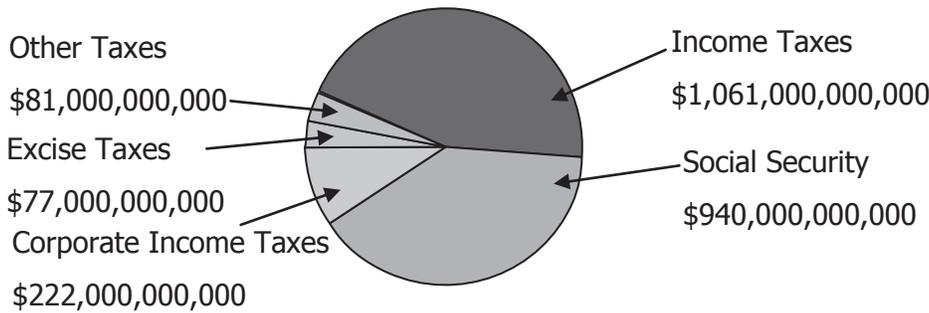
Just like the personal income tax, corporations must pay income taxes, too!

**Excise Tax**

These are taxes paid on certain goods like alcohol, cigarettes, jewelry, and gas.

**Other Taxes**

Taxes also include estate taxes (when someone dies) and tariffs on goods brought from other countries.

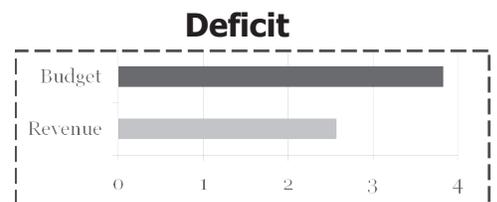
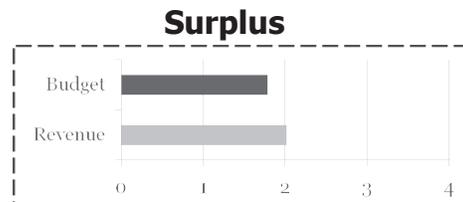


What was the total revenue earned by the U.S. government in 2010?

With all that money and all the projects in the country to think about, there is only one thing that can help keep it all straight... **THE FEDERAL BUDGET!** Budgets are plans for receiving and spending money. The federal budget is the U.S. government's plan to raise revenue and spend money. The goal is for the President and Congress to compromise to create a budget for the country.

There are many things the government spends money on that they have to try and balance. The biggest areas of spending are defense—\$722 billion in 2010—and benefits for people who have retired—\$724 billion for Social Security and \$462 billion for Medicare in 2010. Providing health care and financial support for needy citizens is another high priority for the U.S. government. Other categories of spending include education, transportation, science, development, and the environment. The total estimated budget for 2010 was \$3,600,000,000,000!

After the President and the Congress have created the federal budget, there are two possible outcomes. If the government has spent less money than it raised in revenue, then the revenue left over is called a **surplus**. If the government has spent more money than it raised in revenue, there is a **deficit** and the government must borrow money to make up the difference.



# Money Matters

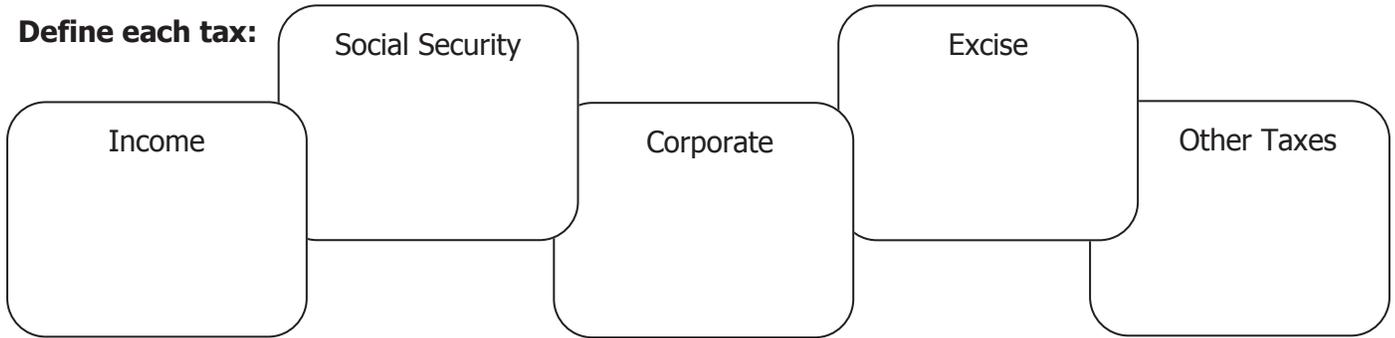
Name: \_\_\_\_\_

## Where Federal Money Comes From

When the government needs more money it simply prints more bills! TRUE or FALSE

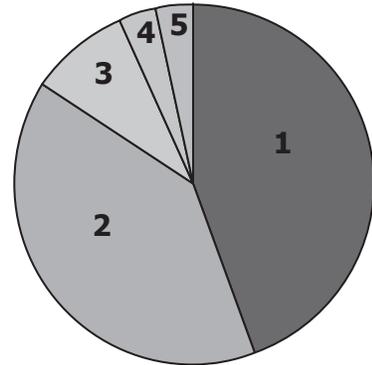
The money raised by the government in taxes is called \_\_\_\_\_.

Define each tax:



Complete the table:

	Type of Tax	How Much Money
1		
2		
3		
4		
5		



2010 Federal Revenue

With all the revenue and spending projects, there is only one thing that can keep it all straight...

The \_\_\_\_\_

Define:

Budget:

Federal Budget:

Circle the area of spending that received the MOST funding in 2010. Put a star next to the area of spending that you think should receive the most funding:

- Education
- Defense
- Social Security
- Transportation
- Medicare
- Science
- Income Security
- Health
- Energy
- Environment

Write the 2010 total estimated spending in long form and the way you would say it:

### Two Possible Outcomes

Identify and define:

\_\_\_\_\_

\_\_\_\_\_

In 2010, was there a SURPLUS or a DEFICIT? \_\_\_\_\_

# Money Matters

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

## Cooperville's Budget for 2011

Cooperville is a country on a far away continent. Its president is in charge of designing the whole budget. She and her advisors are just sitting down to plan their budget for the year 2011 and they need some help organizing and reading the information that they have in front of them. You've been called in to help sort out their budgeting mess. These are the facts:



- ◆ Cooperville is *earning* \$570,000,000,000 in income taxes.
- ◆ Cooperville is *spending* \$4,303,000,000 on defense.
- ◆ Cooperville is *spending* \$6,457,000,000 on healthcare.
- ◆ Cooperville is *earning* \$10,000,000,000 in excise taxes.
- ◆ Cooperville is *spending* \$500,000,000,000 on social security.
- ◆ Cooperville is *spending* \$3,000,000,000 on education.
- ◆ Cooperville is *spending* \$5,430,000,000 on agriculture.
- ◆ Cooperville is *earning* \$135,000,000,000 in social security.
- ◆ Cooperville is *spending* \$220,000,000,000 on smaller projects.



**Complete the following chart, listing revenues and expenses from GREATEST to LEAST:**

Revenue Type	Revenue
Income Taxes	\$570,000,000,000
<b>TOTAL REVENUE</b>	

Expense Type	Expense
Social Security	\$500,000,000,000
<b>TOTAL EXPENSES</b>	

**Calculate.** Answer the questions below to see where Cooperville's budget stands.

1) Which figure is higher?     Revenue     Expenses

2) Find the difference between total revenues and expenses in Cooperville. Show your math here.

3) Is this difference a surplus or a deficit?

Surplus     Deficit

4) How do you know?

A. The expenses are higher than the revenue

B. The revenue is higher than the expenses

5) What are the two possible ways Cooperville could balance its budget?

Increase \_\_\_\_\_ - OR - Decrease \_\_\_\_\_

# Money Matters

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

## Balance the Budget

People hate taxes! But they are the main way governments raise revenue. Revenue pays for services that people expect—and sometimes need. If you were going to raise taxes, which ones would you raise? If you were going to cut services, which ones would you cut? Fill out the charts below to show what you would do.



Tax	Your Action	Why? If you cut the tax, what services would you cut to reduce expenses?
<b>Income Tax</b>	<input type="radio"/> Cut <input type="radio"/> Lower <input type="radio"/> Keep the same <input type="radio"/> Raise	
<b>Excise Tax</b>	<input type="radio"/> Cut <input type="radio"/> Lower <input type="radio"/> Keep the same <input type="radio"/> Raise	
<b>Social Security</b>	<input type="radio"/> Cut <input type="radio"/> Lower <input type="radio"/> Keep the same <input type="radio"/> Raise	



Spending Program	Your Action	Why? If you would spend more, which taxes would you raise to pay for it?
	<input type="radio"/> Cut <input type="radio"/> Keep <input type="radio"/> Spend More	
	<input type="radio"/> Cut <input type="radio"/> Keep <input type="radio"/> Spend More	
	<input type="radio"/> Cut <input type="radio"/> Keep <input type="radio"/> Spend More	
	<input type="radio"/> Cut <input type="radio"/> Keep <input type="radio"/> Spend More	
	<input type="radio"/> Cut <input type="radio"/> Keep <input type="radio"/> Spend More	

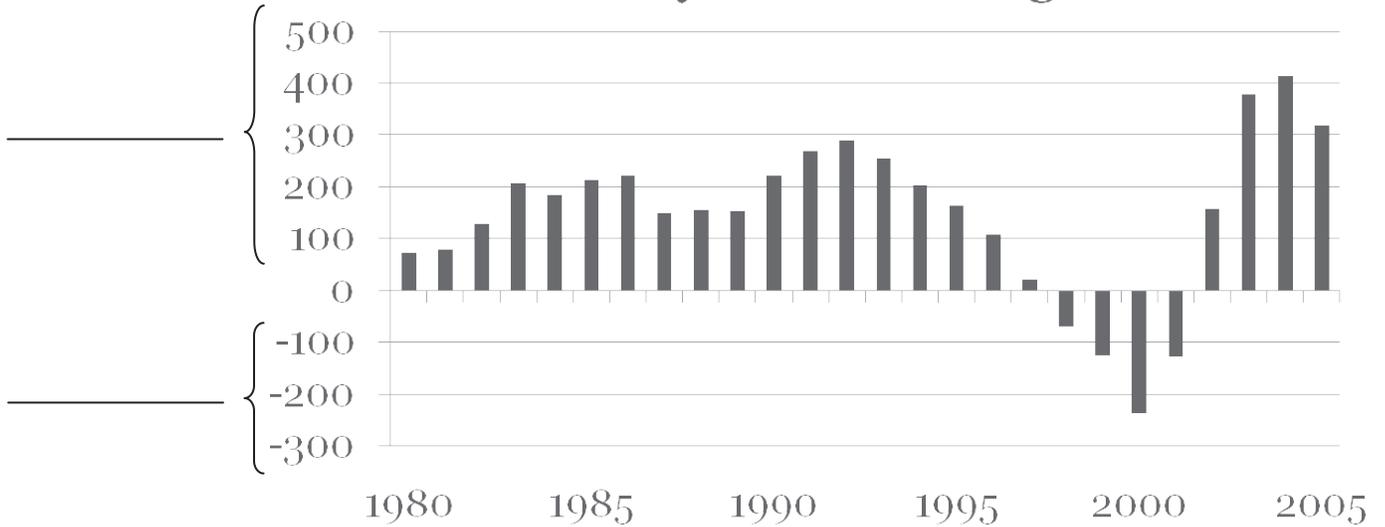
a.

# Money Matters

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

**Facts and Figures.** Use the chart below to answer the following questions.

## Money Short of Budget in Millions



1. An alternate title for this chart might be

- A. Amount of Yearly Spending in Billions of Dollars
- B. Annual Deficit in Billions of Dollars

2. Label the lines above and below the x-axis with the terms **SURPLUS** and **DEFICIT**.

HINT: A DEFICIT means spending MORE than your budget



3. Complete the blanks in following table:

Year	Budget Outcome	Estimated \$ Over / Under Budget
1980	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
1985	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
1990	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
1995	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
2000	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
2005	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	
Your Birth Year	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	

4. According to the graph, which year had the highest deficit? \_\_\_\_\_

Highest surplus? \_\_\_\_\_

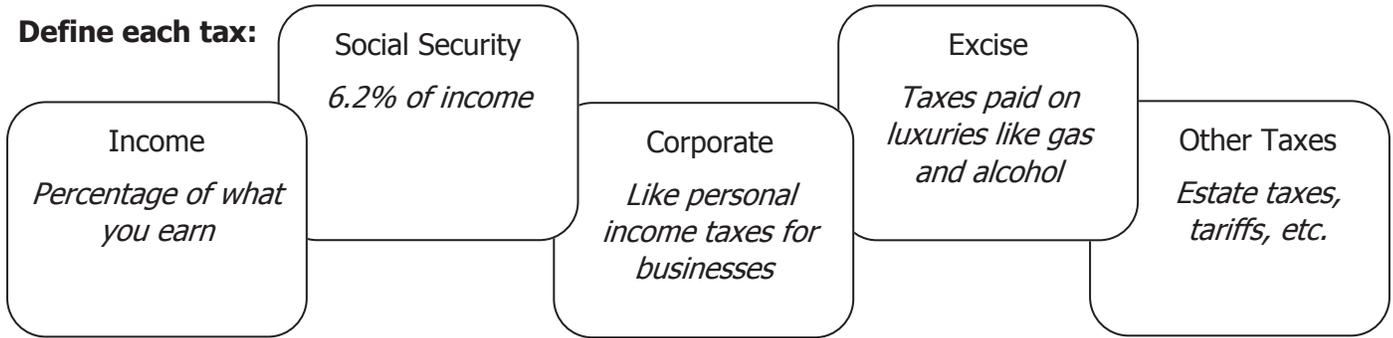
## Where Federal Money Comes From

When the government needs more money it simply prints more bills! TRUE or FALSE

FALSE

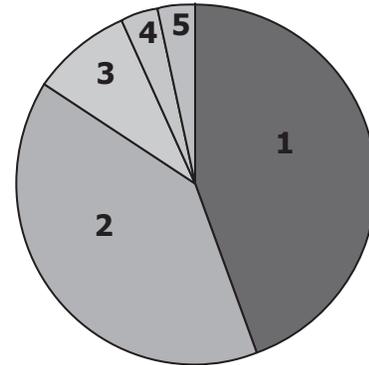
The money raised by the government in taxes is called revenue.

Define each tax:



Complete the table:

	Type of Tax	How Much Money
1	Income	1,061,000,000,000
2	Social Security	940,000,000,000
3	Coporate	222,000,000,000
4	Excise Taxes	77,000,000,000
5	Other	81,000,000,000



2010 Federal Revenue

With all the revenue and spending projects, there is only one thing that can keep it all straight...

The Federal Budget

Define:

**Budget:**  
*A plan for receiving and spending money*

**Federal Budget:**  
*The U.S. government's plan to raise revenue and spend money*

Circle the area of spending that received the MOST funding in 2010. Put a star next to the area of spending that you think should receive the most funding:

- Education
- Defense
- Social Security
- Transportation
- Medicare
- Science
- Income Security
- Health
- Energy
- Environment

Write the 2010 total estimated spending in long form and the way you would say it:

*3,600,000,000,000 or three trillion six hundred billion or 3.6 trillion*

## Two Possible Outcomes

Identify and define:

*surplus: the government has spent less than it raised in revenue*

*deficit: the government has spent more than it raised in revenue*

In 2010, was there a SURPLUS or a DEFICIT? Deficit

## Cooperville's Budget for 2011

Cooperville is a country on a far away continent. Its president is in charge of designing the whole budget. She and her advisors are just sitting down to plan their budget for the year 2011 and they need some help organizing and reading the information that they have in front of them. You've been called in to help sort out their budgeting mess. These are the facts:



- ◆ Cooperville is *earning* \$570,000,000,000 in income taxes.
- ◆ Cooperville is *spending* \$4,303,000,000 on defense.
- ◆ Cooperville is *spending* \$6,457,000,000 on healthcare.
- ◆ Cooperville is *earning* \$10,000,000,000 in excise taxes.
- ◆ Cooperville is *spending* \$500,000,000,000 on social security.
- ◆ Cooperville is *spending* \$3,000,000,000 on education.
- ◆ Cooperville is *spending* \$5,430,000,000 on agriculture.
- ◆ Cooperville is *earning* \$135,000,000,000 in social security.
- ◆ Cooperville is *spending* \$220,000,000,000 on smaller projects.



Complete the following chart, listing revenues and expenses from **GREATEST** to **LEAST**:

Revenue Type	Revenue
Income Taxes	\$570,000,000,000
<i>Social Security</i>	<i>\$135,000,000,000</i>
<i>Excise Taxes</i>	<i>\$10,000,000,000</i>
<b>TOTAL REVENUE</b>	<i>\$715,000,000,000</i>

Expense Type	Expense
Social Security	\$500,000,000,000
<i>Small projects</i>	<i>\$220,000,000,000</i>
<i>Healthcare</i>	<i>\$6,457,000,000</i>
<i>Agriculture</i>	<i>\$5,430,000,000</i>
<i>Defense</i>	<i>\$4,303,000,000</i>
<i>Education</i>	<i>\$3,000,000,000</i>
<b>TOTAL EXPENSES</b>	<i>\$739,190,000,000</i>

**Calculate.** Answer the questions below to see where Cooperville's budget stands.

1) Which figure is higher?     Revenue     Expenses

2) Find the difference between total revenues and expenses in Cooperville. Show your math here.

3) Is this difference a surplus or a deficit?

Surplus     Deficit

4) How do you know?

A. The expenses are higher than the revenue

B. The revenue is higher than the expenses

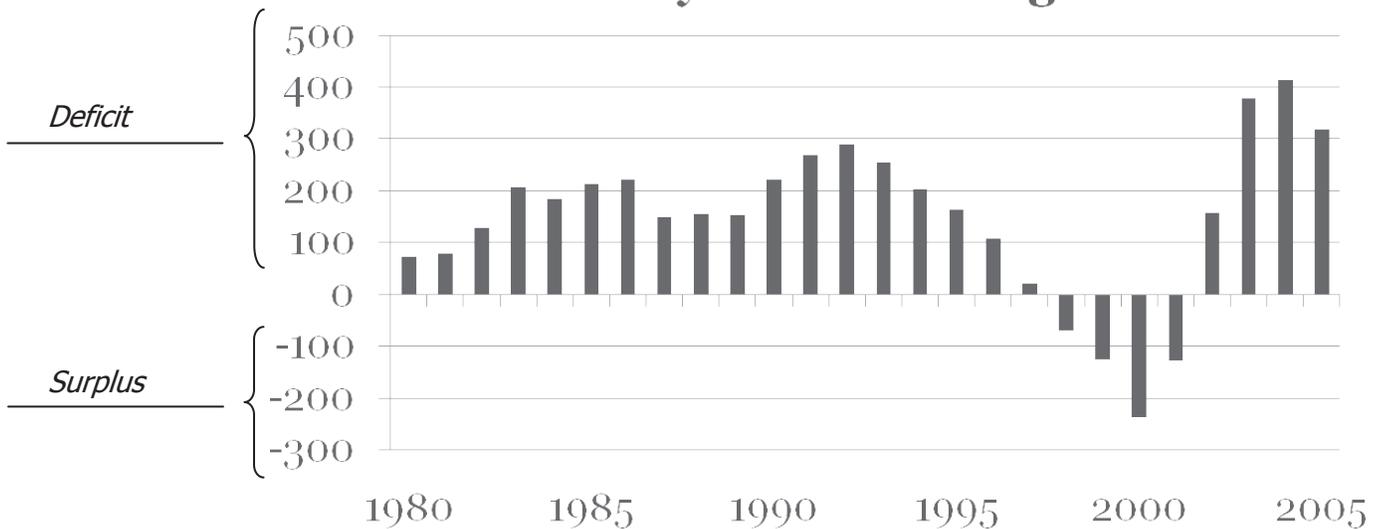
5) What are the two possible ways Cooperville could balance its budget?

Increase taxes - OR - Decrease spending

$$\begin{array}{r}
 \$739,190,000,000 \\
 - \$715,000,000,000 \\
 \hline
 \$24,190,000,000
 \end{array}$$

**Facts and Figures.** Use the chart below to answer the following questions.

## Money Short of Budget in Millions



1. An alternate title for this chart might be

A. Amount of Yearly Spending in Billions of Dollars

**B.** Annual Deficit in Billions of Dollars

2. Label the lines above and below the x-axis with the terms **SURPLUS** and **DEFICIT**.

HINT: A DEFICIT means spending MORE than your budget



3. Complete the blanks in following table:

Year	Budget Outcome	Estimated \$ Over / Under Budget (in billions)
1980	<input type="checkbox"/> Surplus <input type="checkbox"/> <b>Deficit</b>	<i>\$80 billion over budget</i>
1985	<input type="checkbox"/> Surplus <input type="checkbox"/> <b>Deficit</b>	<i>\$210 billion over budget</i>
1990	<input type="checkbox"/> Surplus <input type="checkbox"/> <b>Deficit</b>	<i>\$215 billion over budget</i>
1995	<input type="checkbox"/> Surplus <input type="checkbox"/> <b>Deficit</b>	<i>\$175 billion over budget</i>
2000	<input type="checkbox"/> <b>Surplus</b> <input type="checkbox"/> Deficit	<i>\$240 billion under budget</i>
2005	<input type="checkbox"/> Surplus <input type="checkbox"/> <b>Deficit</b>	<i>\$310 billion over budget</i>
Your Birth Year	<input type="checkbox"/> Surplus <input type="checkbox"/> Deficit	

4. According to the graph, which year had the highest deficit? 2004

Highest surplus? 2000