

1. Where does our federal and state tax money go?

<http://www.cbpp.org/research/policy-basics-where-do-our-federal-tax-dollars-go>

<https://www.nationalpriorities.org/budget-basics/federal-budget-101/spending/>

<http://www.cbpp.org/research/federal-budget/policy-basics-where-do-our-federal-tax-dollars-go>

<http://www.cbpp.org/research/policy-basics-where-do-our-state-tax-dollars-go>

Federal Tax Dollars:

- **Social Security:** Last year, 24% of the budget (\$888 billion) paid for Social Security, which provided monthly retirement benefits averaging \$1,342 to 40 million retired workers in December 2015
- **Health Insurance (Medicare, Medicaid, the Children's Health Insurance Program, and Affordable Care Act):** Accounted for 25% of the budget in 2015 (\$938 billion). Nearly 2/3 of the amount (\$546 billion) went to Medicare - which provides health coverage to around 55 million people who are over age 65 or have disabilities. The rest of this category funds Medicaid, CHIP, and ACA subsidy and exchange costs
- **Defense and international security assistance:** Another 16% of the budget (\$602 billion) paid for defense and security-related international activities
- **Safety net programs:** About 10 percent of the federal budget in 2015, or \$362 billion, supported programs that provide aid (other than health insurance or Social Security benefits) to individuals and families facing hardship
- **Interest on National Debt:** federal government must make regular interest payments on the money it borrowed to finance past deficit
- **Remaining %:** providing health care and other benefits to veterans and retirement benefits to retired federal employees, assuring safe food and drugs, protecting the environment, and investing in education, scientific and medical research, and basic infrastructure such as roads, bridges, and airports

State Tax Dollars:

- Education, healthcare, transportation, corrections, pension and health benefits for public employees, care for persons with mental illness and developmental disabilities, assistance to low-income families, economic development, environmental projects, state police, and parks and recreation - Amounts (%) varies by state
- Used to finance various public services - Monthly retirement benefits, health insurance, defense and security-related international activities, programs that provide aid to people and their families, interest on national debt
- U.S. Treasury divides all federal spending
 - Divided into 3 groups: Mandatory spending, discretionary spending and interest on debt
 - Mandatory spending, discretionary spending are what 90% of the budget is spent on

- Entitlement programs (Ex. - Social security & Medicare) make up the bulk of Mandatory spending
- The most of the Discretionary budget is spending on the Pentagon and related military programs (Ex. - The early childhood education program Head Start)
- Discretionary spending is the portion of the budget that (it's decided by Congress) has to go through an annual process (called appropriations process) each year

2. Why are there people that don't pay taxes?

<https://www.washingtonpost.com/news/wonk/wp/2012/09/18/who-doesnt-pay-taxes-in-charts/>

<http://www.investopedia.com/terms/p/payrolltax.asp>

<http://www.bankrate.com/finance/taxes/state-with-no-income-tax-better-or-worse-1.aspx>

- When people lose their jobs or see their paychecks drop, they tend to pay fewer income taxes
- A wide majority of households that don't pay federal income taxes are elderly or paying payroll taxes
 - Payroll tax is a state and federal tax that an employer withholds and/or pays on behalf of their employees based on the wage or salary of the employee
- Some people exempt under various provisions of the tax code
- Many low-income workers don't pay federal income taxes
- Many don't pay because they're either unemployed, on disability, students or are very poor
- Some states don't have state taxes - Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming
 - Because of no state taxes, they make the money on the food you eat, the clothes you wear, the gasoline you put in your car. These goods are taxed by many state governments
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3. What role do charities play in taxes?

<http://www.idealists.org/info/Nonprofits/Basics4>

- 501(c)(3)s and the other "501s" of various sorts don't pay federal taxes
- Whether nonprofits have to pay sales tax on purchases and charge sales tax when they sell things will depend on state and local tax rules (these vary)
- Sometimes all nonprofit income is exempt but, sometimes it matters how the income was earned or what they use it for
- Most common type of local tax exemption is from property taxes: which may apply to office equipment, automobiles and other "personal" property as well as to real estate