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## State Revenues and Expenses

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In order for states to provide for their citizens, the U.S. Constitution granted them the power to collect taxes. Each state is different in its choice of how to collect revenue from its citizens. The taxes used in most states are sales and income taxes. Other types of revenue include fees, federal grants, and lotteries.

Although each state is different, the majority of states use both a sales and income tax to raise revenues. A sales tax is collected whenever a good or service is purchased within a state. In some states, certain goods are excluded from a sales tax. Food, medicine, and clothing are among the items that are left untaxed in some states. Many states also place a tax on income. Both people and businesses pay income taxes. In a few states, the income tax is only levied on interest and dividends. Special types of sales taxes include taxing hotel rooms, restaurant meals, cigarettes, and alcohol.

Have you gone to get your driver's license yet? Do you own a car? Do you hunt or fish? States collect fees for many types of licenses. When you are able to drive, you will pay a fee to get a driver's license. If you own a car, you will pay a fee to drive it on the road. In order to protect wildlife, hunters usually pay a fee for the privilege to hunt or fish. Other fees include state college tuition, tolls along highways, and licenses for professions such as doctors, plumbers, pharmacists, hairdressers, dentists, and teachers.

The federal government provides money in the form of grants to state governments. This money helps to build schools, construct roads and bridges, and provide aid to underprivileged people in the state. Federal grants help states to keep taxes low and still provide essential services to its citizens.

The use of lotteries to raise revenues increased in popularity during the 20th century. Although some people object to the use of lotteries on moral grounds, states deflected this by emphasizing the benefits it provides to citizens. Today, state lotteries have expanded the emphasis to attracting buyers with the possibility of great wealth.

With all of these sources of revenue, how do states use the money they collect? State governments share the responsibility with local governments for education, public safety, health and human services, roads, and public transportation. State governments provide funding to local schools. In addition, many state governments set standards for curriculum, school buildings, quality of education, and teacher certification. State governments are responsible for building and maintaining public highways and bridges.

All states have a state police force, and some provide funding to local police and fire departments. State governments provide services to the poor and oversee local welfare programs. Unemployment programs are generally run by the state. States establish boards of health to provide their citizens with safe access to health care. Boards of health also set standards for cleanliness in handling food, for hospitals, for nursing homes, and provide licenses for doctors, nurses, and other health care professionals. In the case of infections that are a danger to public safety, health departments take the necessary steps to prevent the spread of disease.

State governments help to maintain a balance of power within the United States. A state works hard on the day-to-day services citizens often take for granted. By providing for its citizens and working to ensure their safety, states handle many situations the federal government cannot and maintains the delicate balance between the states and our central government.

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## Questions

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- \_\_\_\_\_ 1. The power granted to states to collect taxes is protected by the U.S. Constitution.
- A. true
  - B. false
- \_\_\_\_\_ 2. A tax levied on goods and services is called a(n) \_\_\_\_\_.
- A. business tax
  - B. state tax
  - C. sales tax
  - D. income tax

Name \_\_\_\_\_



\_\_\_\_\_ 3. The federal government provides grants to state governments.

- A. false
- B. true

\_\_\_\_\_ 4. On what grounds do some people object to lotteries?

- A. safety
- B. financial
- C. moral
- D. none of the above

\_\_\_\_\_ 5. States justify lotteries by emphasizing the benefits the money collected provides.

- A. false
- B. true

\_\_\_\_\_ 6. In some states, an income tax is levied only on \_\_\_\_\_.

- A. personal income
- B. business income
- C. interest and dividends
- D. lottery winnings

7. Name two professions that require licenses from states.

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\_\_\_\_\_ 8. The Board of Health sets standards for building roads and bridges in a state.

- A. false
- B. true