

Theme 3: Fairness in Taxes Lesson 1: How to Measure Fairness

The fairness of a tax is judged by the **benefits received** and the **ability to pay**. For a tax to be fair, people who differ according to these criteria should pay different amounts of taxes. Often, it is difficult to apply these criteria to a particular tax. Here are three examples.

The **gasoline excise tax** supports highway construction and maintenance. It is paid on each gallon of gas purchased. People who buy more gas pay more tax, but presumably they use the roads more and receive more benefits than those who drive less. The tax is fair according to benefits received, but not according to ability to pay. Low-income drivers pay the same tax as those with high incomes.



A **property tax**, levied on the value of a house or other property, usually supports schools. Regardless of their incomes, owners of valuable property pay more, even if they have no children in schools. The tax is fair on the basis of wealth as ability to pay, but not on the basis of income as ability to pay. It is only partly fair on the basis of benefits received (in general, all benefit from good schools).

The **federal income tax** is levied on many kinds of income and supports a wide range of government services. In general, people with larger incomes pay more. Not all people benefit equally from government services. The income tax may be considered generally fair on the basis of income as ability to pay, but possibly less fair on the basis of benefits received.

Form **1040** Department of the Treasury—Internal Revenue
U.S. Individual Income
For the year Jan. 1–Dec. 31, 20XX, or other tax year beginning
Your first name and middle initial
If joint return, spouse's first name and middle initial