

# Taxation With Representation

## The Politics of Economics



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### Basic Idea

I designed this simulation to be very flexible and work in several ways, allowing you to do the activity in a way that works for you. Its primary function is to have students answer a set of tax policy questions and then craft a simple tax structure for households and corporations, as well as to grapple with many of the tax issues of the day. You then turn your class into Congress, where students elect party leaders, serve on committees and politic to get their bills passed. Alternatively—or in addition to doing the tax bills—you can use the structure and timeline of the simulation for any single-issue economic topic such as drug benefits or Social Security. Or, you can do both the tax and economic policy bills. The key idea is that your students must compromise and produce ONE and only one tax (or economic-issue) bill that gets majority support. For added fun you can be the President and sign or veto the bill. Congress can be organized as follows:

1. Students are divided into Democrats and Republicans. They draft tax bills. The bills are discussed in committee and then by the full House or Senate.
2. Two classes can work together—one acting as the Senate and the other as the House of Representatives.
3. Use your own ideas.

This guide provides instructions for using the above methods, and, if you want, allows you to follow fairly closely the way Congress operates.

### Time Required

The simulation takes four to five 50-minute blocks. You can do the activity every day or intersperse it with your lectures and quizzes. (I do a unit on the U.S. tax system at the same time.) The simulation works especially well when integrated with news of what the U.S. Congress is actually doing.

### Purpose

To focus on tax policy legislation and how politics influences what gets passed. You can limit the simulation to discussing the tax structure in the U.S., or you can expand the activity to include parliamentary procedure and writing bills on other economic issues such as welfare and unemployment, corporate tax breaks, healthcare, Social Security, Medicare, drug benefits, overtime versus compensation time, minimum wage, “living wage,” or free trade versus protectionism.

### Objectives

- Help students understand how politics shapes what economic legislation is passed.
- Promote discussion, interest and understanding of tax policy and economic issues.
- Give students hands-on experience in how Congress makes laws.

### National and California and Common Core Standards Addressed

California and National Economics and Civics Standards, as well as the Common Core State Standards for Literacy in History/Social Studies are in the Appendix (Tab V).

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### INTRODUCTION

For the next few days you will be a member of Congress, serving as either a Democrat, a Republican or an Independent. Your congressional duties include drafting a tax bill, sitting on a committee, and participating in full Senate or House sessions.

After you have chosen or been assigned to a political party, the first item of business in this \_\_\_\_\_ Congress \_\_\_\_\_ Session is to select party leaders. The two caucuses (parties) will meet and elect the following leaders:

In the U.S. Congress these leaders are usually the ones with the most seniority (have been there the longest). They have much power and are good at parliamentary maneuvers and persuading other members to vote their way. Your student leaders are in charge, so choose classmates with good powers of persuasion and other leadership qualities.

### PARTY MEETING

Once the leaders have been selected, the parties strategize and draw up legislative goals for this Congress (i.e., how to pass a tax bill that represents the views of their parties). Each morning there may be a brief party strategy meeting.

### WRITING BILLS

Each member must author at least one bill. You'll most likely be working in groups. You'll receive a bill-writing rubric and a format/sample for writing your bills. Here are some drafting tips.

- Give your bill a catchy title, one that shows at a glance what it's about. The sample bill is called the, "Tax Fairness and Revenue Allocation Act," or TFRAA (TA-Fruh).
- In the "purpose" section give a short summary of what your bill will accomplish and why it's important. This is a policy statement (e.g., "To make the tax system fair to families").

As you begin to write the bill's "provisions" (the body of the bill where you spell out, in detail, how you are going to accomplish your policy goals), ask yourself the following questions:

- Is what I am writing a policy statement? ("Families whose income is more the \$1,000,000 should pay a higher tax percentage.") If so, it can only go in the "purpose" section and not in body of the bill.
- Are my provisions specific? For example, "Tax bracket 1 will be 10 percent of the first \$25,000 of taxable income."
- Is my language clear? Will readers understand what the bill's provisions mean?

### PASSING A BILL

Any bill that is passed by one chamber goes to the other chamber and follows the same process. This process continues until all bills have been dealt with. Your House or Senate MUST pass ONE and only one tax bill and/or one bill per economic issue. Work for bipartisan compromise. The group whose bill gets passed may get extra credit.

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<sup>1</sup> Excerpted

# Tax Bill Structure and Format

\_\_\_th CONGRESS

\_\_\_ Session

HR or S \_\_\_\_\_

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Date: February 4, 2013

Title **Tax Fairness and Revenue Allocation Act (TFRAA) (TA-Fruh)**

Author(s) Jaydee Rockman (R)

Purpose To make the tax system fair to families and to provide ....

Provisions Chapter 1 – Rate Structure for Households

Every household shall pay taxes on the taxable income as follows:\*

1. 10% on the first \$25,000
2. 15% on amounts between \$25,000 and \$40,000
3. 30% on any amount above \$40,000.

Chapter 2 – Deductions, Credits and Exemptions for Households

Households shall be allowed a deduction from their income for the expenses:

Interest paid on mortgages

*Your ideas*

Households shall be allowed a personal exemption from their income in the amount of \$Z dollars as follows ...

Households shall be allowed a deduction from their income for the expenses:

Interest paid on mortgages

*Your ideas*

Chapter 3 – Rate Structure for Corporations

Every corporation shall pay taxes on the taxable income as follows:\*

- 1
- 2
- 3

Chapter 4 – Deductions, Credits and Exemptions for Corporations

Businesses shall be allowed to deduct all business expenses:

Salaries, office expenses, etc.

Corporations shall also be entitled to a tax credit in the amount of X (or X%) as follows:

\* Not actual U.S. tax rates and brackets