

Using Money

3

People make decisions every day about how to spend and save their money. To earn money to pay for things, most people work. The money that people receive for their work is called **income**.

Like most people, governments have to make decisions about how to spend money. Governments use the tax money they collect from people to pay for certain services. **What do you think you will learn about the way that North Carolina's communities spend money by reading this lesson?**



A SHOPPING MALL
IN RALEIGH



NORTH CAROLINA STANDARD COURSE OF STUDY

- 6.05 Recognize that money can be used for spending, saving, and paying taxes.
- 6.06 Analyze the relationship between government services and taxes.

Spending and Saving

① Skim the text in this lesson and read the section headings. List the three main categories of information that you will read about.

② Explain why people might pay *interest* to a bank.

Governments and businesses use budgets to help them decide how to spend money. Many people also follow a budget to help them make choices about how to use their money. Budgets help people see how they spend money. They help people make plans to reach economic goals.

Most people save some of their money for future use. They often keep their savings in banks. A savings account in a bank earns interest. **Interest** is the money a bank or a borrower pays for the use of money. In turn, the banks lend that money to other people. Banks charge people interest until the loan is paid back.

People often borrow money to buy a house or an automobile or to start a business. Governments, businesses, and people can also invest their money. To **invest** is to buy something that will grow in value. Many people invest by buying stocks, property, or valuable metals or gemstones.

Biography

Citizenship

James B. Duke

By 1894, James Buchanan Duke's company, the American Tobacco Company, became the largest cigarette producer in the United States. Duke invested some money in the Duke Power Company. He became very rich. Duke gave millions of dollars to schools, hospitals, churches, and other charities. A large gift went to Duke University, in Durham.

Time

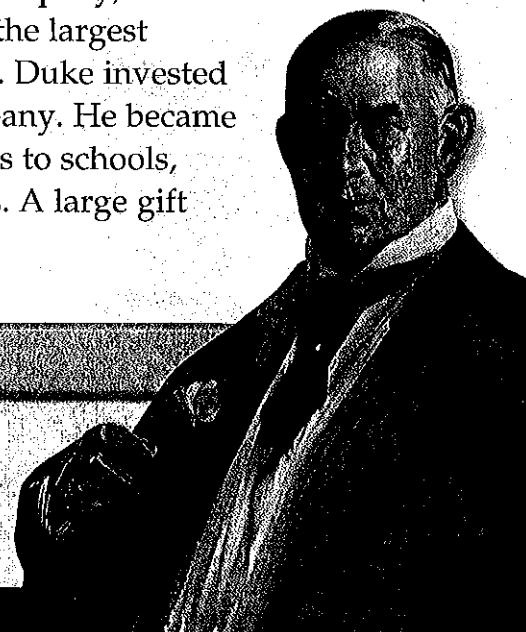
1856

Born

1925

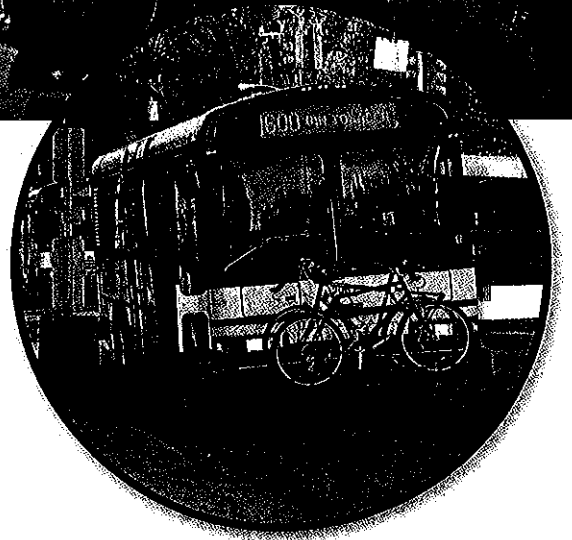
Died

1924 James B. Duke gives about \$40 million to Duke University





► **TAXES AND SERVICES** People help pay for government services when they pay sales taxes (above) and bus fees (right).



Taxes

People and businesses must spend some of their money paying taxes to national, state, and local governments. Tax money is used to run governments and to pay for services.

Almost half of North Carolina's tax money comes from income taxes. An *income tax* is a tax based on how much a person earns. Income taxes are collected by the national government and by some state governments.

People pay a sales tax when they buy things. Property taxes are charged on land and buildings. North Carolina also has a personal property tax on items such as cars and trucks.

People in many North Carolina cities and towns pay user fees for services such as garbage collection or water. They also pay fees when they use public transportation, such as buses. User fees usually do not pay the whole cost of a service. However, user fees can help reduce the amount of tax money needed to pay for services.

TextWork

3 Scan the text on this page. Circle the sentence that describes how governments use tax money.

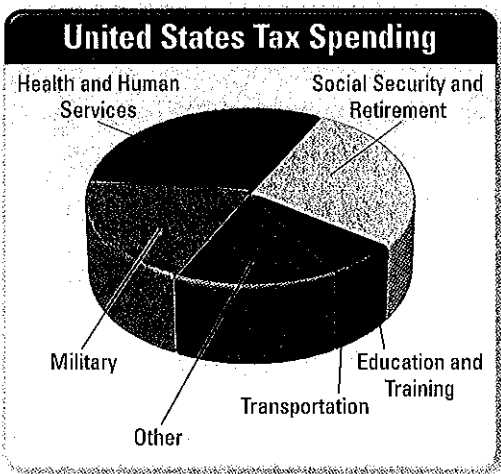
4 Classify four details from the text under the category *taxes*.



► **SOLDIERS** train at Fort Bragg, near Fayetteville. Fort Bragg is one of the largest army bases in the United States.

TextWork

5 Study the graph. On which service does the United States government spend the most money?



Government Services

Governments at the national, state, and local level are responsible for spending tax money. Each level of government uses tax money to provide services to citizens. By law, governments in the United States must be able to show citizens how tax money is spent.

National Services

The national government provides services for all the people in the United States. It uses money to support the nation's armed forces. The national government also uses tax money to provide security at airports and along the nation's borders and coasts.

The national government also uses tax money to provide services and programs that help people who are elderly, poor, or disabled. The national government funds many agencies, such as the United States Postal Service and the National Park Service, with tax money.

State Services

North Carolina's state government provides services for people who live in North Carolina. Much of the state's tax money is used for public schools and for state universities and colleges. State taxes are also used to repair state roads and to run state parks. State taxes fund programs that help North Carolinians who need food, clothing, health care, or shelter.

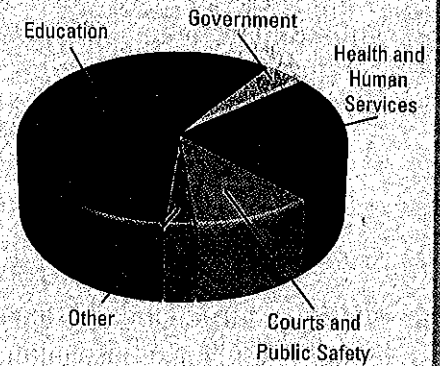
County and Municipal Services

County and municipal governments provide services for people in a particular county or city. Counties spend tax money on courts, jails, schools, and health services. They also provide emergency services and take care of county parks.

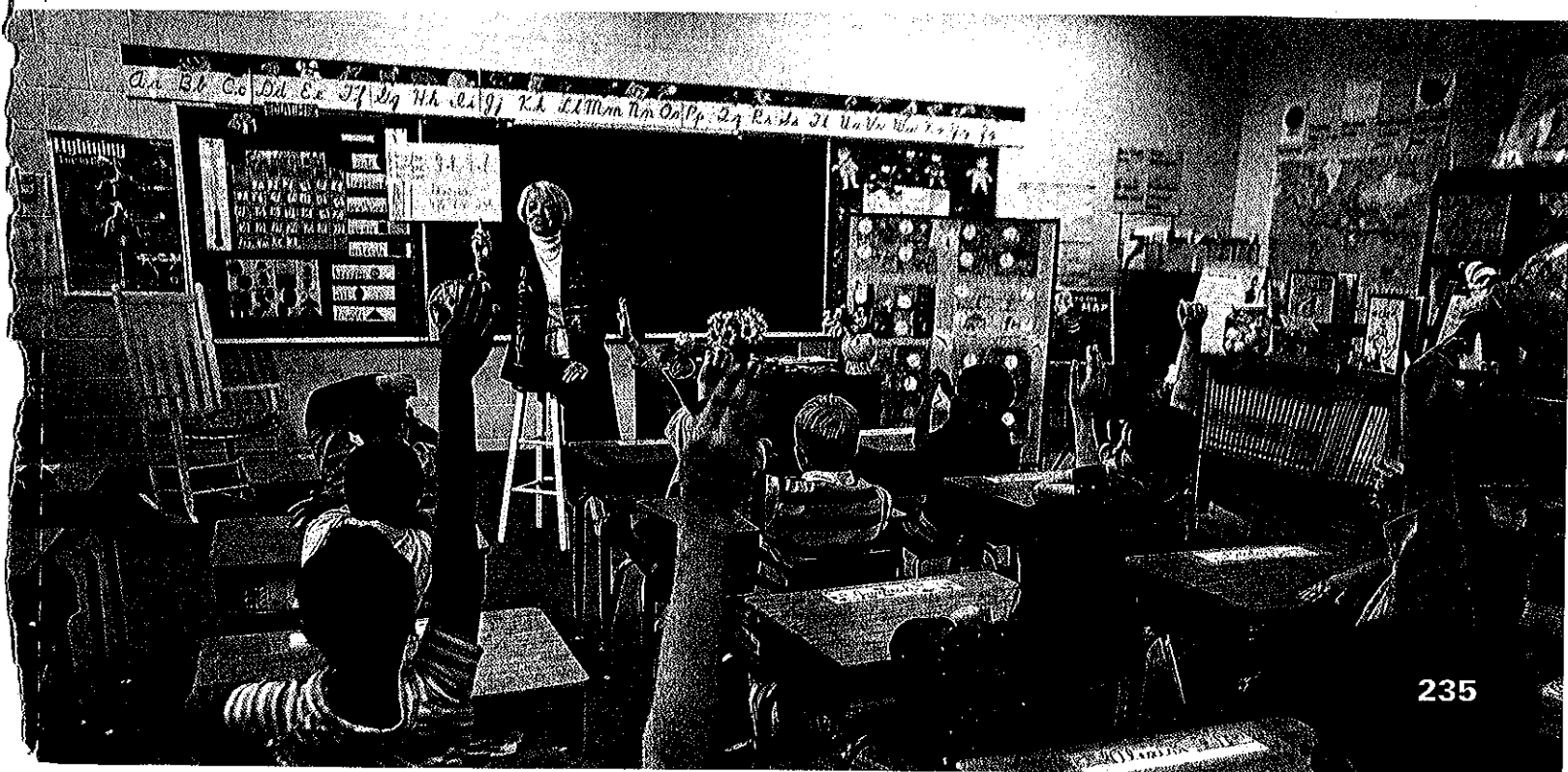
City taxes pay for services such as police and fire protection, garbage collection, and street repairs. Many cities also provide water and power services. Counties and cities often work together to provide services such as running libraries and maintaining parks.

6 Study the graph. On which service does North Carolina's government spend the most money?

North Carolina Tax Spending



► **GOVERNMENTS** provide important services such as schools.



1. **SUMMARIZE** How do people and governments use money?

2. Write a sentence using the words **income** and **invest**.

3. What are three kinds of taxes that are collected from North Carolinians?

4. List two examples of services provided by the national government.

Circle the letter of the correct answer.

5. Income taxes are based on which of the following?
- A how people save
 - B the cost of a service
 - C the interest a person pays
 - D the money a person earns
6. Which level of government uses tax money to provide services to people in a town?
- A federal
 - B local
 - C national
 - D state
7. Why do some local governments collect user fees?
- A to support the nation's armed forces
 - B to pay for part of a service
 - C to build state parks
 - D to earn interest

activity



Make a Brochure List the kinds of services that local governments must provide. Make a brochure describing these services and telling how they are paid for.