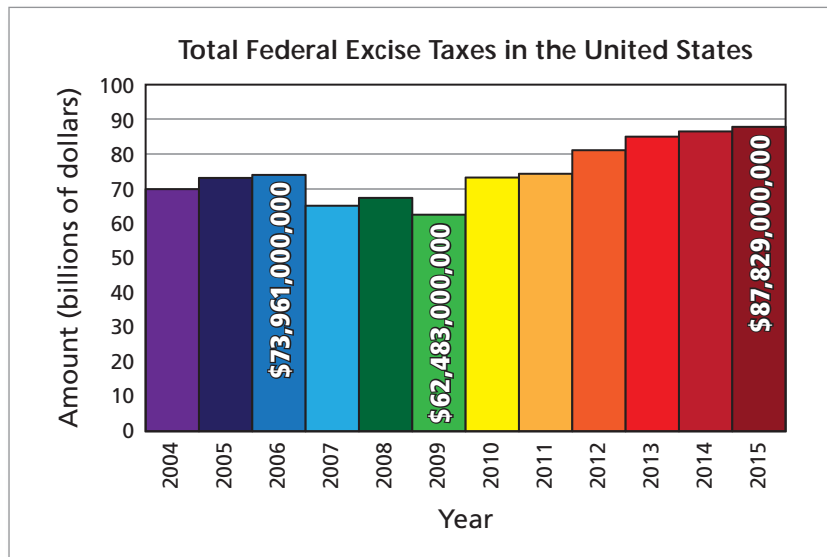EXAMPLE 4   **Finding Changes in Excise Taxes**

The graph shows the total excise tax revenue (actual and projected) that the U.S. federal government raises.

Total Federal Excise Taxes in the United States

a. How much did the revenue decline from 2006 to 2009?

b. Why did the revenue decline during those years?

SOLUTION

a. From 2006 to 2009, the revenue declined by

$$73{,}961{,}000{,}000 - 62{,}483{,}000{,}000 = \$11{,}478{,}000{,}000.$$

This is a decline of about 15.5%.

b. One cause for the decline in revenue was an economic recession that began in 2007. There was, however, a less obvious cause. In 1898, the U.S. federal government implemented the first telephone excise tax in an effort to help fund the Spanish-American war. In 2005, a federal court declared it illegal to tax long-distance telephone services, a decision that cost the federal government billions of dollars in revenue.

The Telephone Excise Tax Refund was a onetime payment available on the 2006 federal income tax return. It refunded excise taxes collected on long-distance telephone services billed between February 28, 2003, and August 1, 2006. Most phone customers, including most cell phone users, qualified for the refund.

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Use the graph above to answer the questions.

c. How much is the revenue projected to increase from 2009 to 2015?

d. What is the percent increase, using 2009 as the base year?

e. Suppose you are asked to devise a plan to raise the total excise tax revenue to $250 billion by 2015. Describe such a plan and explain why you think it could raise the necessary tax revenue.