

SECTION III
Time- 17 minutes, 30 seconds
13 Questions

Directions: Each passage in this section is followed by a group of questions to be answered on the basis of what is stated or implied in the passage. For some of the questions, more than one of the choices could conceivably answer the question. However, you are to choose the best answer; that is, the response that most accurately and completely answers the question, and blacken the corresponding space on your answer sheet.

Passage A

The current federal taxation system features a progressive tax on income and a proportional or flat tax on wages. (This payroll tax finances Social Security and Medicare.) Many proposals have been made to reform the tax system—among the most promising is a European-style consumption, or value-added tax, a VAT. In a VAT system, the individual pays no income tax; instead they pay a federal sales tax on all goods and services. Low-income individuals can collect rebates to make the system progressive—so that the working poor, who consume most or all of their incomes, do not pay proportionally more tax than a wealthy individual who can spend proportionally less of their income.

A VAT system has several advantages. It is fairer. The current payroll tax is regressive because it does not fully tax the highest wage earners, and it only applies to income from labor, not investments. A VAT is also better at capturing income from investments. If investment income is spent instead of reinvested, it is taxed just like income from labor. This provides an incentive to save and invest—more so than the current patchwork of gimmicks like IRAs and tax-free dividends. Finally, a VAT would save time and money. In 2002 Americans spent roughly \$194 billion dollars on tax compliance, and 1.6 billion hours on the 1040 form alone. The IRS calculates that for every dollar of revenue raised, there is 20 cents of compliance cost.

Passage B

America needs a liberation movement, a modern-day “Boston Tea Party,” if you will, to put an end to the taxing and spending politics in Washington, DC.

America needs dramatic pro-growth tax cuts. The usual game in Washington is to pretend to cut some taxes while raising others. Instead, scrap the entire tax code—currently 66,000 pages and growing—and replace it with an income tax rate of 17%. Expand exemptions so that a family of four earning the national median household income pays no tax at all.

The flat tax would be simple. Citizens would fill it out on a postcard. It would be honest. It would eliminate the principal source of political corruption in Washington—trading loopholes for campaign cash. It would be fair. Millions would leave the federal income tax rolls.

There would be no payroll tax, no death tax, and no tax on pensions, savings, or capital gains. It would set off an economic boom by letting people keep more of what they earn.

Since 1970 federal spending has increased more than seven-fold. During those same years, family income in America has declined. The politicians say “we” can’t afford a tax cut. Maybe we can’t afford the politicians.

1. Which of the following pairs of descriptions accurately describes the attitudes of the authors of passage A and passage B, respectively?
 - A) Careful explanation: Enthusiastic endorsement
 - B) Prescient exploration: Feigned indifference
 - C) Guardedly optimistic: Mildly pessimistic
 - D) Detached observation: Tentative recommendation
 - E) Resigned indifference: Analytical overview

2. It can be inferred from the passage that both authors believe which one of the following to be true?
 - A) Tax reform will result in increased government revenues.
 - B) The current tax system is unnecessarily complex.
 - C) A new system for raising tax revenue is necessary.
 - D) Compliance costs in the current tax system are wastefully high.
 - E) A need for new revenue sources outweighs the need for tax transparency.

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3. What is the main point of passage A?
- A) Reforming the tax system to eliminate the payroll tax will result in a more equitable taxation system.
 - B) The government can raise more tax revenue if it adopts a VAT in place of the current income tax system.
 - C) European governments have used consumption taxes to fund all government functions.
 - D) A tax on consumption would be a more efficient and fair way to raise revenue.
 - E) A properly-designed VAT would be less regressive than either a flat tax or the current tax system.
4. Which one of the following was mentioned in both passages as being an important component of tax reform?
- A) Low-income individuals should pay little or no tax.
 - B) Individuals should not be required to file income tax returns.
 - C) Individual payroll taxes should be eliminated.
 - D) Individuals should pay tax on investment gains.
 - E) Tax collection should be transparent.
5. The best titles for passage A and passage B, respectively, would be:
- A) "A European road-map to tax utopia"
"A modern American tax revolution"
 - B) "The VAT, an idea whose time has come"
"Death and taxes, a new chapter"
 - C) "Realizing maximum revenue from minimal inputs"
"Taxation without representation, never again"
 - D) "Abolishing the payroll tax"
"Free and fair, a new proposal for a flat tax."
 - E) "New views on progressive taxation systems"
"Abolishing the IRS"
6. It can be inferred from the passages that neither of the authors would agree with the following statements:
- A) A regressive tax system ensures social equity.
 - B) Systems that tax income instead of consumption are more susceptible to the creation of unfair loopholes and exemptions.
 - C) Progressive taxation is the hallmark of any system that taxes income earned from labor.
 - D) It is as important to tax gains on savings and investments, as it is to tax earnings from labor.
 - E) The current taxation system has caused government revenues to grow faster than family incomes.
7. Which one of the following was mentioned in both passages as being an important feature of the proposed taxation systems?
- A) All individuals should know how much tax they pay.
 - B) The taxation system should treat all individuals fairly.
 - C) Individuals should not be required to file tax returns or other documents in order to comply with the tax system.
 - D) A family of four that earns the national average income should not pay any tax at all.
 - E) High income individuals should pay a higher percentage of their income in taxes than low-income individuals pay in taxes.

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SECTION III

Introduction

Reading Comprehension is for most test-takers the hardest subject area to improve their score. Depending on your reading speed, you may find after experimentation that you should only attempt 3 of the 4 reading passages. To decide which passage to skip, you may want to skip the passage with the fewest associated questions, or the passage with unfamiliar subject matter. To do well in this section, it is vital to understand that there are only a handful of question types that you will see. Once you understand that you will only see these specific types of questions, it becomes much easier to 'filter-out' the extra details and wording that the LSAT passages are filled with. The first passage set was a comparative reading set. In it, two short paragraphs on a subject are followed by questions. The comparative reading section was added to the test in June 2007, so if you use pre-2007 LSATs to practice, you will not see comparative reading questions.

Answer Key 1-7:

1. A
2. C
3. D
4. C
5. A
6. D
7. B

Explanations for Questions 1-7

1. Attitude questions are usually pretty easy. You have a pretty good idea of the author's attitude by the time you finish the passage. Since there are two authors, both descriptions in the answer choice must be accurate. This actually makes it more difficult to select an incorrect answer. What does author A think and how does he approach the subject? Author A sets out his argument in clear terms, but is not worked-up about the subject; the same cannot be said for author B, who is very worked-up. A is the correct answer. Yes, this is an accurate description. Author A carefully makes his case. Author B is a strong proponent for his proposal.
2. Inference questions account for one in five reading comprehension questions. Inference questions are typically the most difficult, because, unlike detail questions, the answer is not expressly stated in the passage. These questions require you to make a sound conclusion based on the facts. Since the question stem did not direct us to a specific part of the passage, read the answer choices quickly to find the most attractive choices, then refer to the passages to check them against the facts you must use to make the conclusion. Look for an answer choice that represents an overlap of the two passages. C is correct.

Underlying both arguments is the assumption that a new taxation system would be an improvement over the current system. So we can infer that they both believe a new system is needed.

3. Main idea questions are the most common, and often the easiest to answer. To answer them, identify the central, most important, message. Be careful; at least one wrong answer choice will seem pretty good. This wrong choice might be a possible inference one could draw. It might accurately describe some aspect of the passage or a portion of the main idea but fail to entirely capture the main point of the passage. Eliminate answers that focus on specific information or only part of the passage. Why did author A write the passage? What did he hope to accomplish? D is correct. A consumption tax, or VAT, would raise revenue and would be “fairer” and “save time and money”.
4. Detail questions are very common. The information you need is expressly stated in the passages. It is just waiting for you to dig it up. This is easier said than done. There are so many facts in the average passage that it is can be difficult to locate the one you want. If you have a good mental map of what each paragraph discusses, you can at least narrow your search to the correct paragraph. After you scan the answer choices, skim the two passages looking for something that could be a guideline. When you find something that is mentioned by both passages, you have found the correct answer. C is correct. Under both proposals, the payroll tax would be eliminated.
5. This question tests your overall understanding of the passages. Since you now have a good grasp of both passages, it is not necessary to refer to the passages. As mentioned in question 1, it is actually more difficult to incorrectly answer a question when the correct answer has to correctly describe both passages. A is correct. Passage A does discuss the European model of taxation. Passage B does frame the argument for tax reform with references to the American Revolution.
6. Now we are looking for something in both of the passages that the authors would not want. As you review the answer choices, consult the passages if necessary. D is correct. Both passages mention savings and investments. And both of them would exempt earnings on savings; passage A because a consumption tax would not tax earnings at all, and passage B because income from savings and capital gains would be specifically exempted from income taxation.
7. Detail questions are very common. The information you need is expressly stated in the passage. It is just waiting for you to dig it up. As you scan the answer choices, refer to the passages to look for an overlap. B is correct. Both of the passages explicitly state that their proposal is “fair”; presumably they consider fairness to be an important characteristic.