

# Teacher Lesson Plan

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Theme 6: Understanding the IRS  
Lesson 1: The IRS Yesterday and Today

## Time Frame

One to four hours

## Curriculum Area(s)

- History/Social Studies
- Economics
- Technology
- Civics/Government

## Purpose

To help students understand why the Internal Revenue Service was instituted, how it functions, how it has changed over the years, and the ways it helps taxpayers today

## Objectives

Students will be able to

- trace the history of the IRS from its founding to the present time.
- explain the role of the IRS today.

## Materials

### *Online*

[PowerPoint™ Presentation—Theme 6 Overview: Understanding the IRS](#)

[Student Lesson—The IRS Yesterday and Today](#)

[Activity 1: IRS Timeline](#)

[Activity 2: Faces of the IRS](#)

[Activity 3: IRS Facts](#)

[Assessment—The IRS Yesterday and Today](#)

[Assessment Solutions—The IRS Yesterday and Today](#)

### *Print (PDF)*

[Info Sheet—What Is the IRS?](#)

[Worksheet—IRS History](#)

[Worksheet Solutions—IRS History](#)

[Assessment—The IRS Yesterday and Today](#)

[Assessment Solutions—The IRS Yesterday and Today](#)

[Complete Lesson Pack](#)

## Background

Starting with the cry, “No taxation without representation,” taxation has long been an important issue to Americans. When the U.S. Constitution was written, the framers were careful to give the power to levy federal taxes only to Congress. In 1791, Treasury Secretary Alexander Hamilton established the Office of the Commissioner of Revenue, the forerunner of the Internal Revenue Service.

Tariffs, or customs duties, were the federal government’s chief source of **revenue** until the American Civil War. During the war, Congress passed internal taxes, including the first federal **income tax**, to help cover war costs. A new Office of the Commissioner of Internal Revenue was set up to collect the taxes.

The Civil War income tax ended in 1872. Congress attempted to pass a similar tax in 1894, but in 1895 the Supreme Court found the income tax unconstitutional because it was not in proportion to the states’ populations, as the Constitution required. Not until 1913—when the Sixteenth Amendment removed this requirement—was a federal income tax reinstated.

In 1953, the Treasury Department completed a reorganization of the Bureau of Internal Revenue, reforming it as a service agency under the name **Internal Revenue Service (IRS)**. Throughout the second half of the twentieth century, tax laws were restructured to better serve taxpayers. The Tax Reform Act of 1969 helped to stop corporations and the rich from avoiding taxes. The Tax Reform Act of 1986 reduced the number and level of tax rates. The Taxpayer Relief Act of 1997 made more than 800 changes to the existing tax code.

Today, the IRS checks tax returns, collects tax payments, and issues refunds to taxpayers. Electronic filing, available nationwide since 1990, makes filing taxes faster, easier, and more accurate than ever before.

## Key Terms

**income taxes**—Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest and dividends). Income taxes can be levied both on individuals (personal income taxes) and businesses (business and corporate income taxes).

**Internal Revenue Service (IRS)**—The federal agency that collects income taxes in the United States.

**revenue**—The income the nation collects from taxes.

## Opening the Lesson

Ask if students know what the letters IRS stand for. Write the words *Internal Revenue Service* on the board and underline *Revenue*. Explain that revenue is money raised by taxes. Then, underline *Internal*. Explain that internal refers to taxes on income within the United States as opposed to taxes from external sources such as customs duties or tariffs. The Internal Revenue Service collects tax revenue from income within the United States. Present information from the background information, or show PowerPoint Presentation™—Theme 6 Overview: Understanding the IRS.

## Developing the Lesson

Distribute [Info Sheet—What Is the IRS?](#) Briefly discuss the evolution of taxation in the United States from 1791 to the present. Ask students:

- Identify two kinds of income that may be taxed.

**earned and unearned**

Then ask students:

- Who pays income taxes?

**individuals and businesses**

### *Online Activities*

Direct students to [Student Lesson—The IRS Yesterday and Today](#).

Have students complete one or more of the following activities:

- [Activity 1: IRS Timeline](#)—Chart the history of the IRS.
- [Activity 2: Faces of the IRS](#)—Match the names to the accomplishments of people who helped shape today’s IRS.
- [Activity 3: IRS Facts](#)—Can you guess these surprising IRS facts?

### *Print Activity*

Print [Worksheet—IRS History](#), and distribute it to students.

[Worksheet Solutions—IRS History](#)

### *Classroom Activity*

Organize the class into four groups. Assign each group one of these time periods:

- Second half of the nineteenth century
- First half of the twentieth century
- Second half of the twentieth century
- Beginning of the twenty-first century

Have each group research the development and functions of the IRS in its assigned half-century. Resources may include print encyclopedias and library books.

Groups should record their information on index cards and take turns presenting their findings to the class. When all groups have finished their presentations, the index cards may be filed chronologically to create a “History of the IRS” resource file.

## **Concluding the Lesson**

Use the following game to review the lesson. Have a volunteer begin by stating one fact that the class has learned about the IRS or income taxes. The student then should point to someone else, who must state a different fact. Continue until everyone in the class has had a turn. No fact may be used twice. Keep track of the facts by listing them on the board.

### ***Online Assessment***

Direct students to complete [Assessment—The IRS Yesterday and Today](#).  
[Assessment Solutions—The IRS Yesterday and Today](#)

### ***Print Assessment***

Print [Assessment—The IRS Yesterday and Today](#), and have students complete it on paper.  
[Assessment Solutions—The IRS Yesterday and Today](#)

### ***Links***

For more information on the history of the IRS, go to:

[Theme 2, Lesson 1](#)

[Theme 2, Lesson 2](#)

[Theme 2, Lesson 3](#)

[Theme 2, Lesson 4](#)

[Theme 2, Lesson 5](#)

[Theme 2, Lesson 6](#)