Understanding Taxes

Theme 6: Understanding the IRS
More than 95% of all tax returns were filed electronically in the 2023 tax year.
Chief Sources of Revenue
The Sixteenth Amendment

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

— The 16th Amendment to the Constitution of the United States
Important People in Tax History

- Lord Charles Townshend
- Alexander Hamilton
- Abraham Lincoln
Important People in Tax History

- William Wilson
- Oscar W. Underwood
- Franklin D. Roosevelt
Important People in Tax History

• Harry S. Truman
• Shirley Peterson
• William J. Clinton
Important People in Tax History

• George W. Bush
• Barack H. Obama
Voluntary Compliance

- Keep necessary records
- Report income accurately
- Correctly calculate tax liability
- File returns on time
Pay-As-You-Go Withholding

- Taxes are paid as income is earned
- Taxes are withheld based on Form W-4 information
Form W-2

- Shows how much employees earn
- Copy must be attached to tax return
Financial Record Keeping
Financial Record Keeping

Save:
• Paycheck stubs
• Bank statements
• Completed tax returns and forms
• Warranty information
• Receipts
• Credit card statements
Financial Record Keeping

Store items in:
- Envelopes or accordion file
- Filing cabinets
- Computer
- Safety deposit boxes
Theme 6: Understanding the IRS

Tax Liability
Methods of Tax Return Preparation

• Electronically
• Tax Preparation Software
• Manually
Electronic Tax Preparation and Transmission
Methods of Electronic Tax Preparation and Transmission

- Personal Computer
- Tax Professional
Refunds