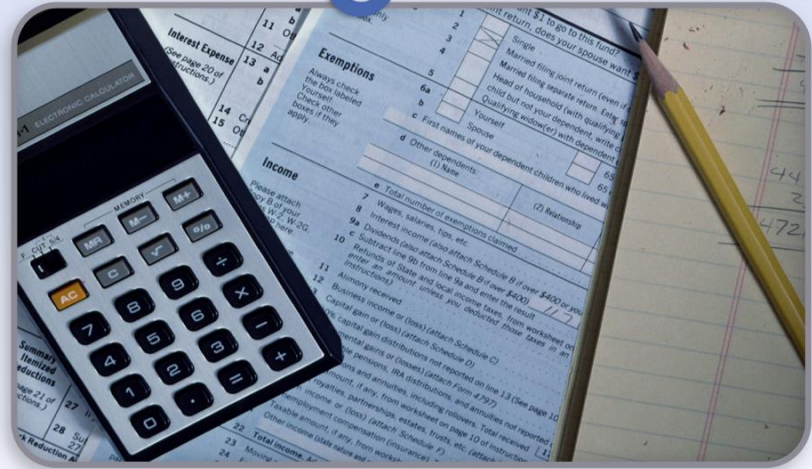


Understanding Taxes



Theme 6: Understanding the IRS





Electronic Filing



More than 70% of all tax returns were filed electronically in the 2010 tax year.





Chief Sources of Revenue





The Sixteenth Amendment

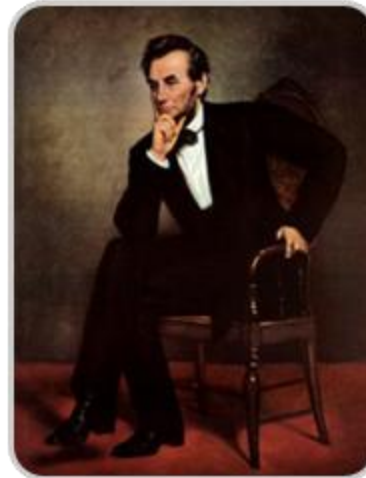
The Congress shall have power to lay
and collect taxes on incomes,
from whatever source derived, without
apportionment among the several
States, and without regard to any
census or enumeration.

- *The 16th Amendment to the Constitution of the United States*



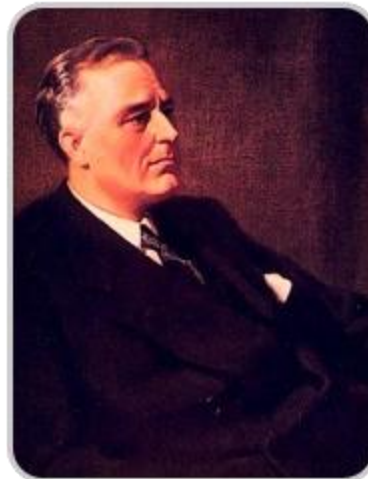
Important People in Tax History

- 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





Theme 6: Understanding the IRS

Pay-As-You-Go Withholding

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

Separate here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.		OMB No. 1545-0074 2012
1 Your first name and middle initial		Last name		2 Your social security number
Home address (number and street or rural route)			3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code			4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>	
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)				5
6 Additional amount, if any, you want withheld from each paycheck				6 \$
7 I claim exemption from withholding for 2012, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ 7				
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (This form is not valid unless you sign it.) ▶				Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)			9 Office code (optional)	10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2012)



Theme 6: Understanding the IRS

Form W-2

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

a Employee's social security number		Safe, accurate, FASTI Use		Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld			
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld			
		5 Medicare wages and tips	6 Medicare tax withheld			
		7 Social security tips	8 Allocated tips			
d Control number		9	10 Dependent care benefits			
e Employee's first name and initial Last name Suff.		11 Nonqualified plans		12a See instructions for box 12		
		13 Statutory employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	12b	
		14 Other		12c		
				12d		
f Employee's address and ZIP code						
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

Form **W-2** Wage and Tax Statement

2011

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Understanding
Taxes





Theme 6: Understanding the IRS

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





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





Theme 6: Understanding the IRS

Refunds

