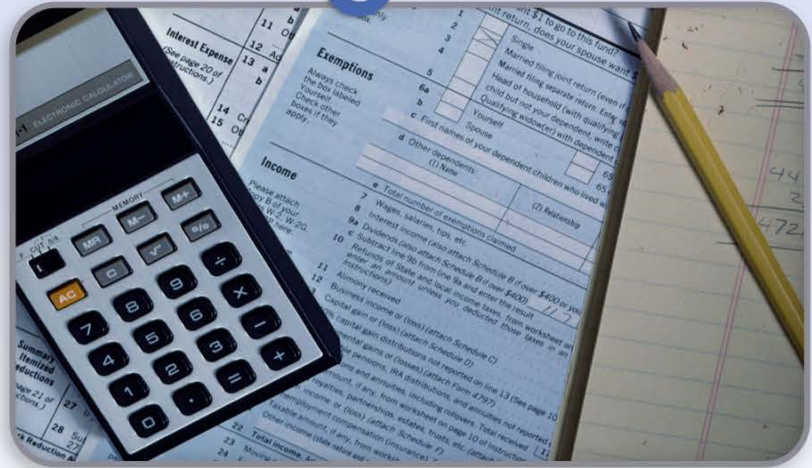


Understanding Taxes



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

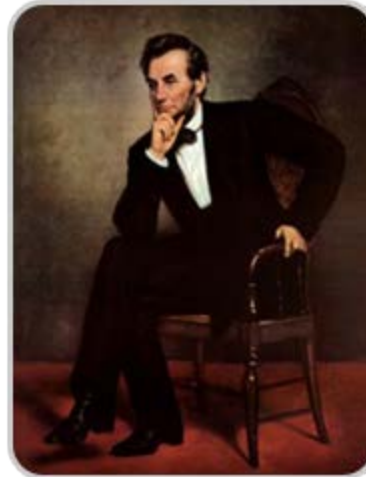
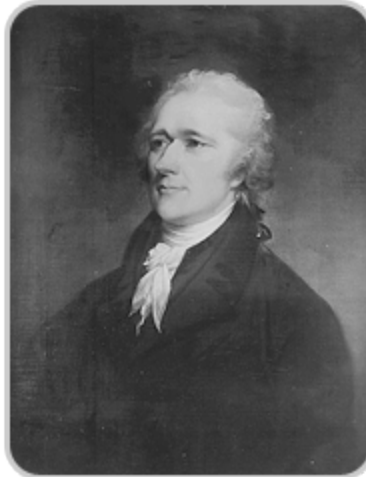
The Congress shall have power to lay
and collect taxes on incomes,
from whatever source derived, without
apportionment among the several
States, and without regard to any
census or enumeration.

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



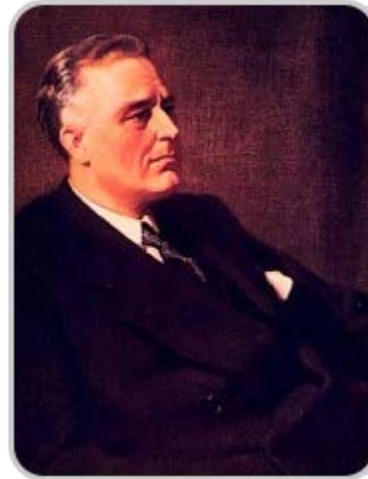
Important People in Tax History

- 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

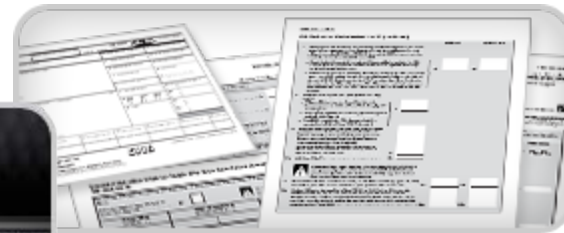
- George W. Bush
- Barack H. Obama





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, FAST! 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		11 Nonqualified plans			
		12a See instructions for box 12			
		12b			
f Employee's address and ZIP code		12c			
		12d			
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

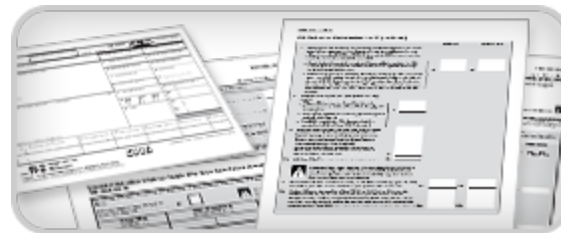
2012

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.



Financial Record Keeping

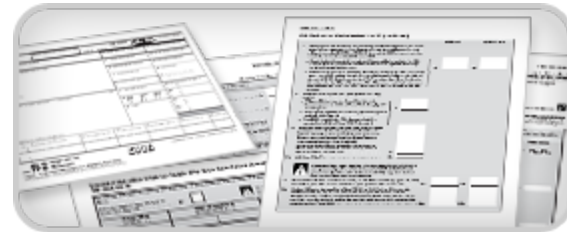




Financial Record Keeping

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

AMOUNT	DEDUCTION	CURRENT TAX	TOTAL TAX
46.16	FICA Tax	69.06	494.1
67.57	Medicare Tax	16.15	115.5
13.73	Federal Tax	116.17	880.8
	NY State Tax	52.40	347.5
	NY City Tax	27.05	183.4
	Disability LTD	1.20	9.1
	LTD	1.00	
970.53	Total	\$283.03	
	Net Pay	\$830.70	

Department of the Treasury—Internal Revenue Service
Form 1040EZ **Income Tax Return for Single and Joint Filers With No Dependents** **2011** OMB No. 1545-0047

Your first name and initial _____ Last name _____ Your social security number _____
 If joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. _____
 City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). Foreign country name _____ Foreign province/county _____ Foreign postal code _____

Income 1 Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2. **8**
 Attach Form(s) W-2 here. 2 Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ. **2**
 Enclose, but do not attach, any Form(s) 1099-DIV. 3 Unemployment compensation and Alaska Permanent Fund dividends (see instructions). **3**
 4 **494.1**
 5 **115.5**
 6 **880.8**
 7 **347.5**
 8a **183.4**
 9 **9.1**
 10 _____
 11 _____
 12 _____

Sign Here
 Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete. I declare under penalty of perjury that the information on this return is true and correct.
 Your signature _____ Date _____ Your occupation _____ Dependent phone number _____
 Spouse's signature (if a joint return, both must sign) _____ Date _____ Spouse's occupation _____ If the IRS sends you a notice, please print name and address (include phone number) _____
Paid Preparer Use Only
 Preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed.
 Preparer's address _____ Phone no. _____
 For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see instructions. Cat. No. 11329W Form **1040EZ** 2011



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

