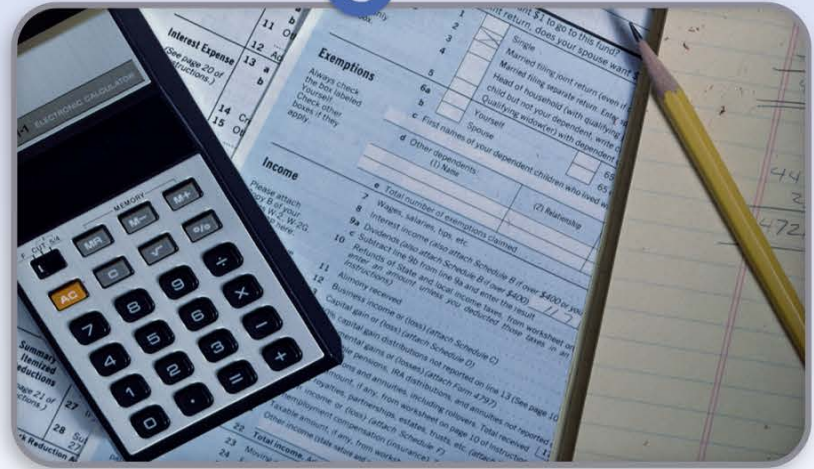


Understanding Taxes



Theme 6: Understanding the IRS





Electronic Filing



More than 95% of all tax returns were filed electronically in the 2023 tax year.





Chief Sources of Revenue





The Sixteenth Amendment

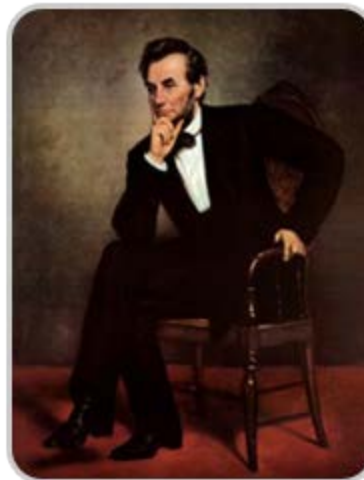
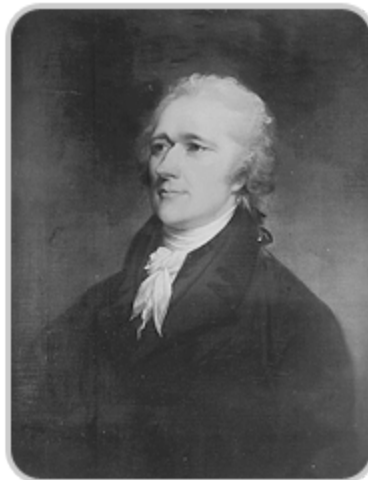
The Congress shall have power to lay
and collect taxes on incomes,
from whatever source derived, without
apportionment among the several
States, and without regard to any
census or enumeration.

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



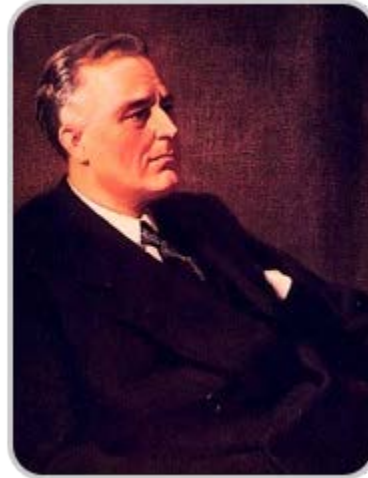
Important People in Tax History

- 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

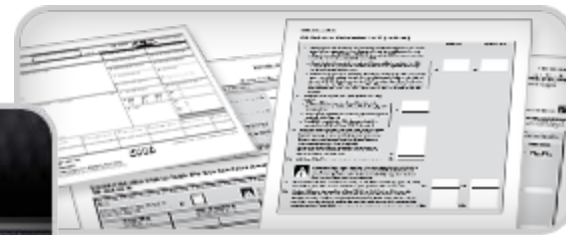
- George W. Bush
- Barack H. Obama





Voluntary Compliance

- Keep necessary records
- Report income accurately
- Correctly calculate tax liability
- File returns on time





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

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.		2024
Step 1: Enter Personal Information	(a) First name and middle initial	Last name	(b) Social security number	
	Address		Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .	
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			
Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, and when to use the estimator at www.irs.gov/W4App .				
Step 2: Multiple Jobs or Spouse Works	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4). If you or your spouse have self-employment income, use this option; or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate <input type="checkbox"/>			
Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)				
Step 3: Claim Dependent and Other Credits	If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 \$ _____ Multiply the number of other dependents by \$500 \$ _____			
	Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here		3	\$ _____
Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income		4(a)	\$ _____
	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here		4(b)	\$ _____
	(c) Extra withholding. Enter any additional tax you want withheld each pay period		4(c)	\$ _____
Step 5: Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.			
	Employee's signature (This form is not valid unless you sign it.)		Date	
Employers Only	Employer's name and address	First date of employment	Employer identification number (EIN)	





Theme 6: Understanding the IRS

Form W-2

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

22222		VOID <input type="checkbox"/>	a Employee's social security number		For Official Use Only OMB No. 1545-0008	
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
f Employee's address and ZIP code			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
			14 Other		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 **2024**

Copy A—For Social Security Administration. Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

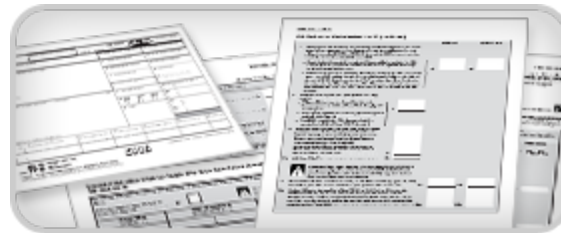
Cat. No. 10134D

Understanding
Taxes





Financial Record Keeping

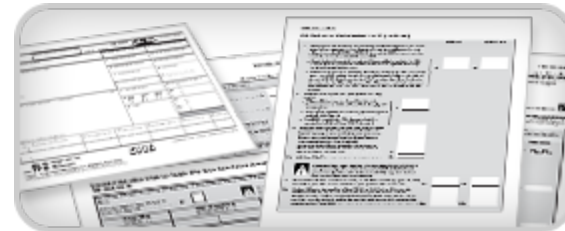




Financial Record Keeping

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	TOTAL
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	347.9
	NY City Tax	27.05	183.1
	Disability LTD	1.20	9.1
		1.00	
	Total	\$283.03	
970.53	Net Pay	\$830.70	

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **20XX** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.
 For the year Jan. 1–Dec. 31, 20XX, or other tax year beginning , 20XX, ending , 20 See separate instructions.

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

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
 Foreign country name Foreign province/state/country Foreign postal code

Filing Status Single Head of household (HOH)
 Married filing jointly (even if only one had income)
 Married filing separately (MFS) Qualifying surviving spouse (QSS)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the person is a child but not your dependent.

During 20XX, did you: (a) receive (as a reward, award, or payment for property or services); or (b) otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions) Yes No
 If you checked the Yes box, enter the name of the person who can claim: You as a dependent Your spouse as a dependent

Were you a dependent on a separate return or you were a dual-status alien
 Were you born before January 2, 1959 Are blind Spouse: Was born before January 2, 1959 Is blind

Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

1a Amount from Form(s) W-2, box 1 (see instructions)
 1b Employee wages not reported on Form(s) W-2
 1c Amount not reported on line 1a (see instructions)
 1d Dividend payments not reported on Form(s) W-2 (see instructions)
 1e Dependent care benefits from Form 2441, line 26
 1f Amount of adoption benefits from Form 8839, line 29
 1g Amount from Form 8919, line 6
 1h Other earned income (see instructions)
 1i Nontaxable combat pay election (see instructions)

2a Tax-exempt interest
 3a Qualified dividends
 4a IRA distributions
 5a Pensions and annuities
 6a Social security benefits

b Taxable interest
 b Ordinary dividends
 b Taxable amount
 b Taxable amount
 b Taxable amount

7 Capital gain or (loss). Attach Schedule D if required. If not required, check here
 8 Additional income from Schedule 1, line 10
 9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**
 10 Adjustments to income from Schedule 1, line 26
 11 Subtract line 10 from line 9. This is your **adjusted gross income**
 12 **Standard deduction or itemized deductions** (from Schedule A)
 13 Qualified business income deduction from Form 8995 or Form 8995-A
 14 Add lines 12 and 13
 15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**

Attach Sch. B if required.
 Standard Deduction for—
 • Single or Married filing separately, \$13,850
 • Married filing jointly or Qualifying surviving spouse, \$27,700
 • Head of household, \$20,800
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 Form 1040 (20XX)



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

