

Understanding Taxes

Theme 1: Your Role as a Taxpayer

Your Role as a Taxpayer

*"Taxes are what
we pay for
civilized society."*

-Oliver Wendell Holmes, Jr., 1904

Your Role as a Taxpayer

Taxes Fund Public Goods and Services

National Defense

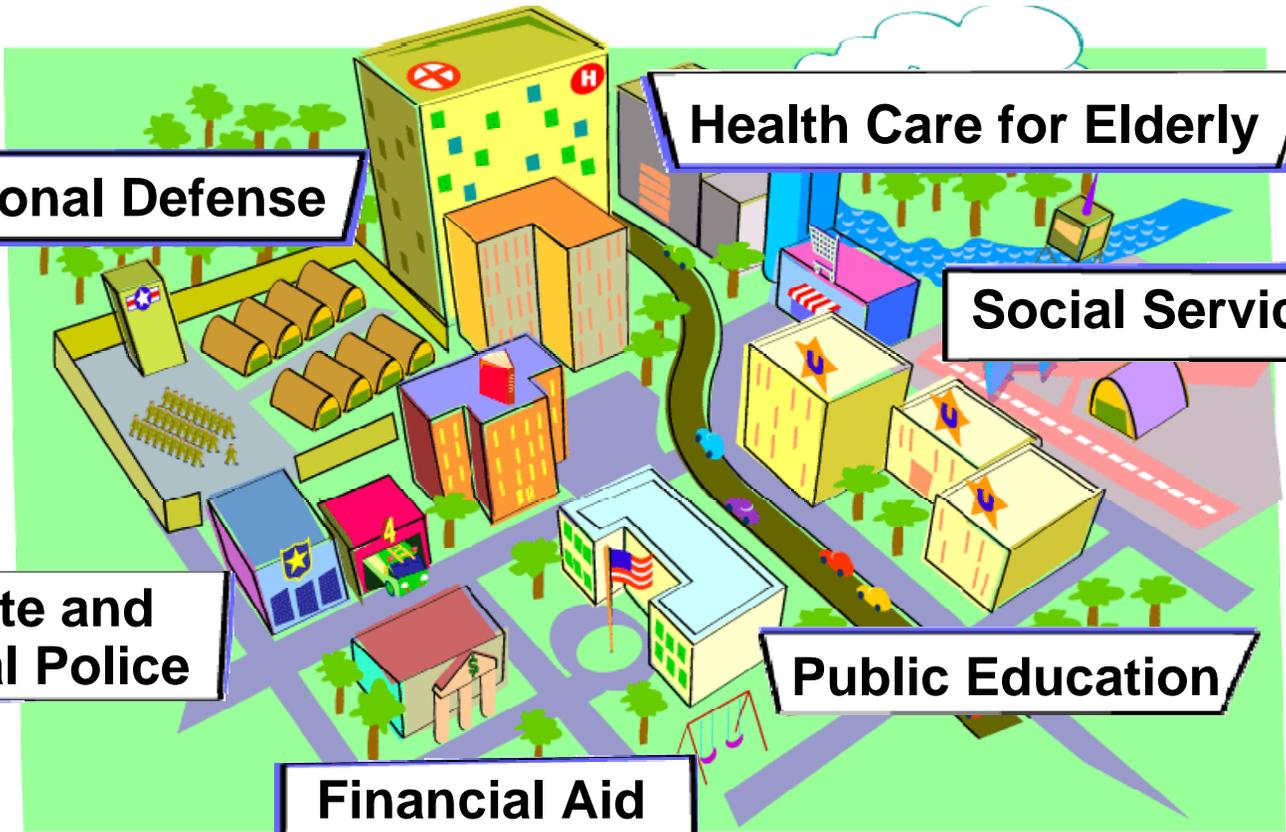
Health Care for Elderly

Social Services

State and
Local Police

Public Education

Financial Aid



Your Role as a Taxpayer

Early Taxes

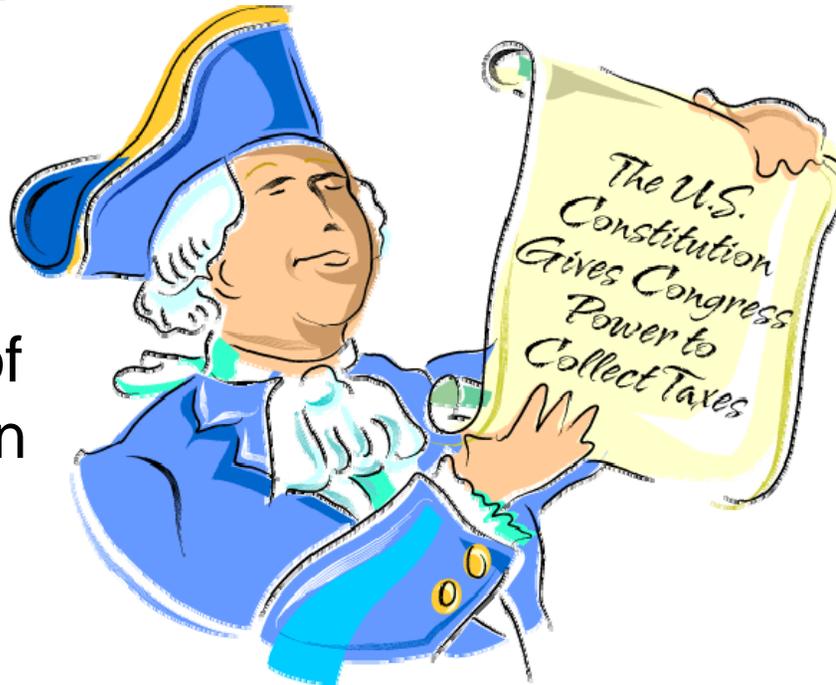
- Cooking Oil, Foreigners, Slaves (Ancient Egypt)
- Sales, Inheritance, Imports, Exports (Ancient Rome)
- Beards, Beehives, Boots, Souls (Russia, 1702)
- Bachelors (England, 1695; Missouri, 1820)



Your Role as a Taxpayer

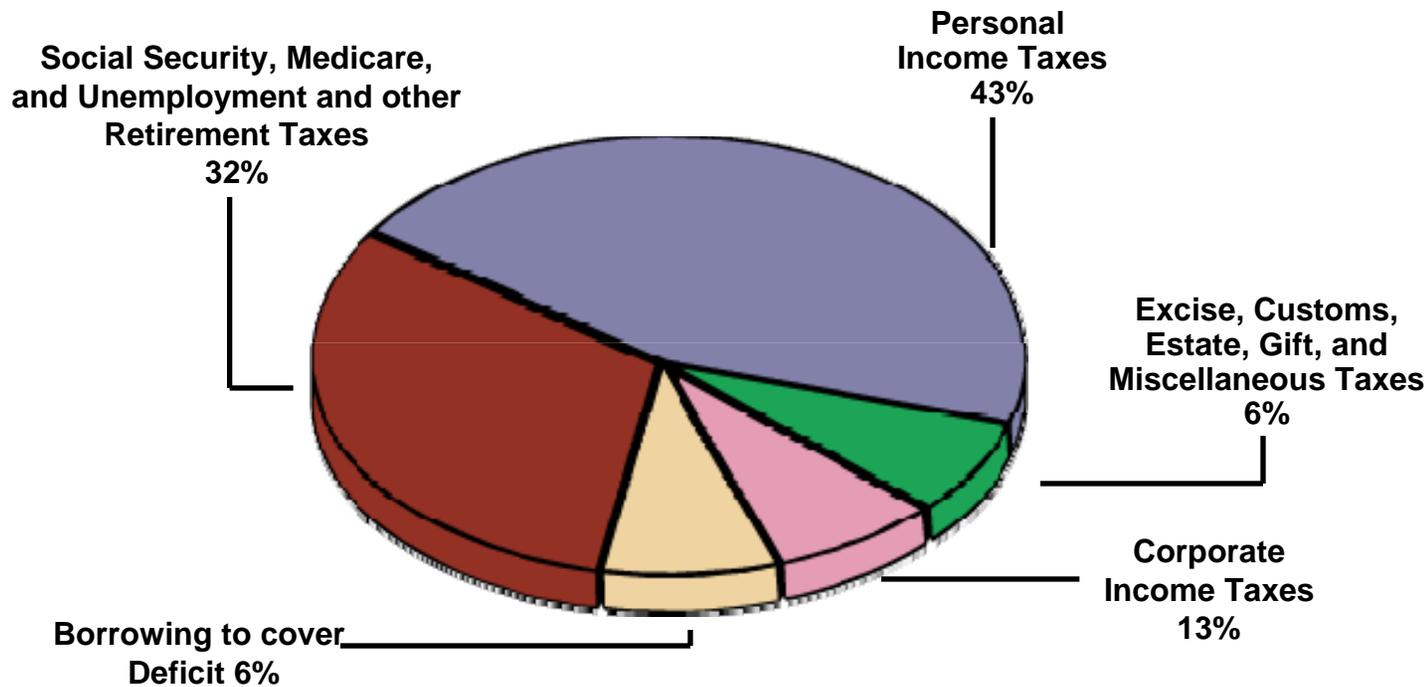
The Power to Collect Taxes

- American Revolution caused debt
- Tax was necessary to pay debt
- Article 1, Section 8 of the U.S. Constitution granted Congress power to tax



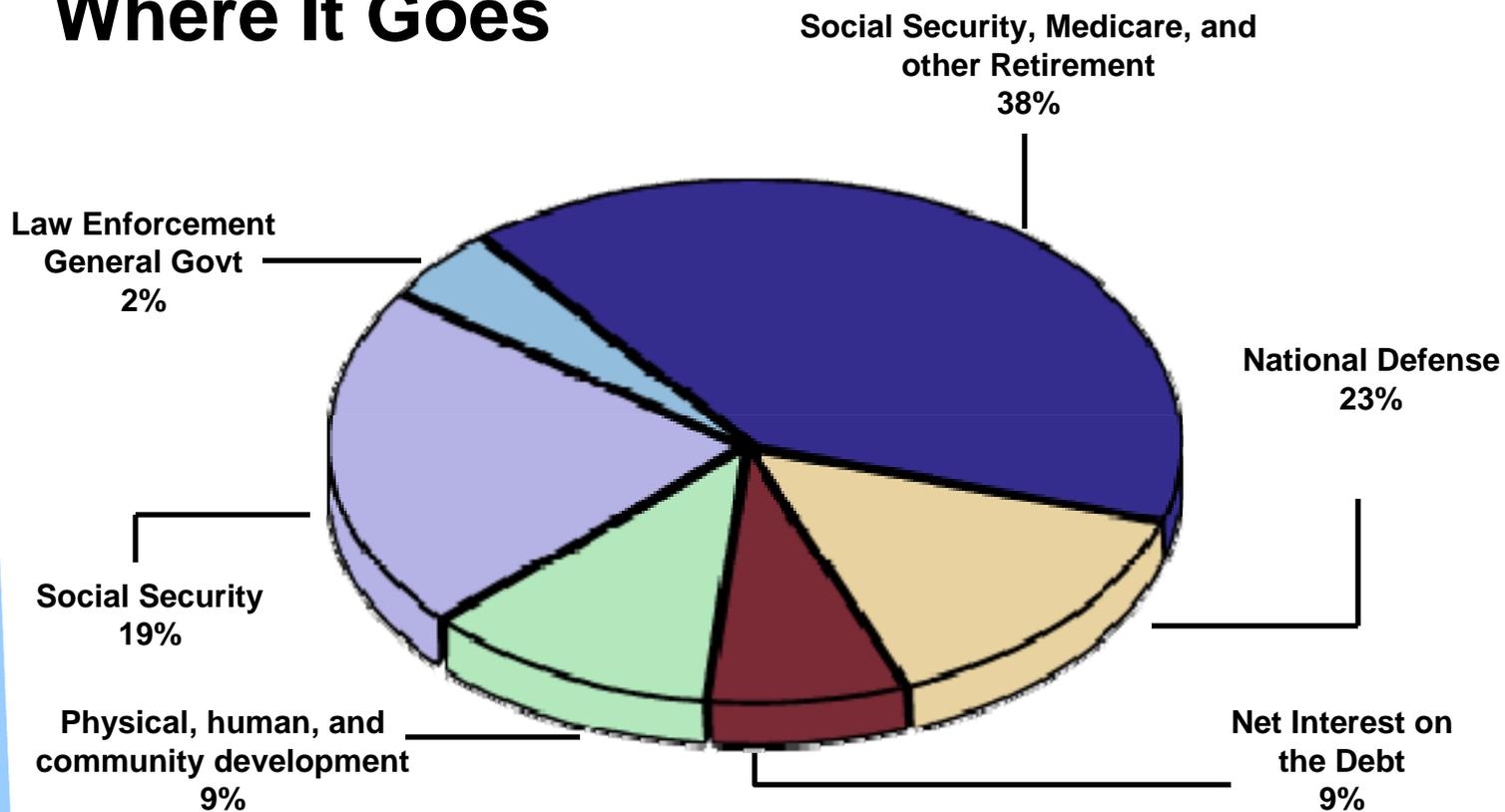
Your Role as a Taxpayer

The Federal Government Dollar- Where It Comes From



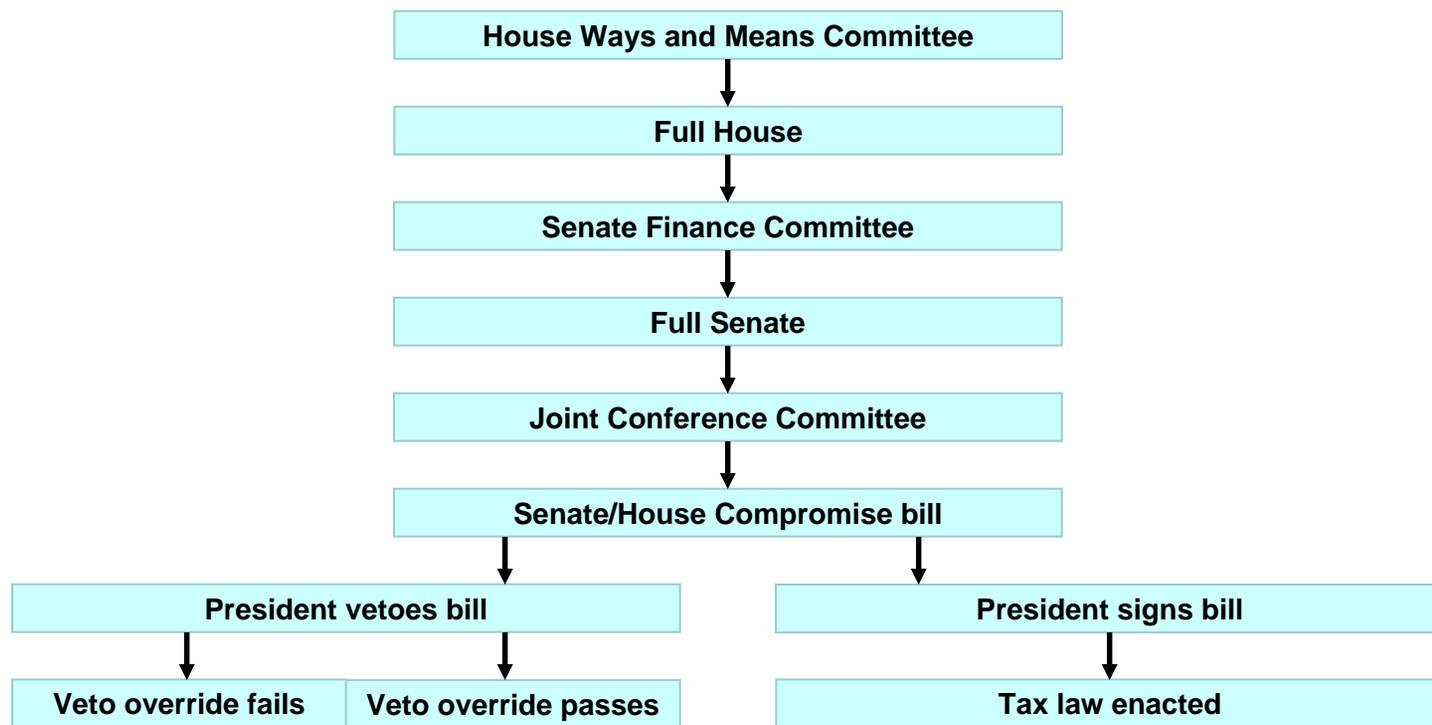
Your Role as a Taxpayer

The Federal Government Dollar- Where It Goes



Your Role as a Taxpayer

How Taxes Evolve



Your Role as a Taxpayer

Voluntary Compliance

Each person is responsible for filing a tax return.



Your Role as a Taxpayer

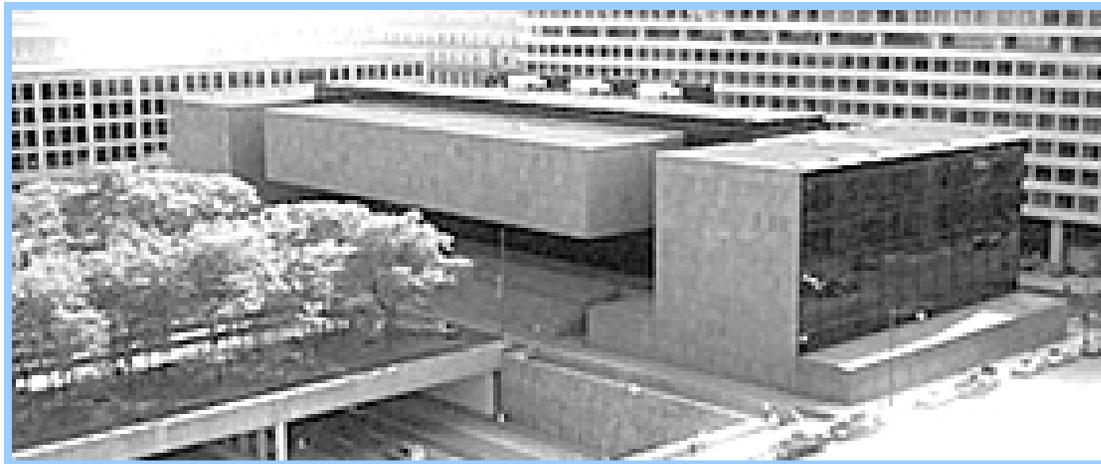
Tax Avoidance versus Tax Evasion

- Tax Evasion: Failure to pay legally due taxes
- Tax Avoidance: Legal means of decreasing your tax bill

Your Role as a Taxpayer

Taxpayer Rights

- Information on taxpayer returns is private
- Taxpayers have the right to appeal an IRS decision



Your Role as a Taxpayer

“The income tax law is a lot of bunk. The government can’t collect legal taxes from illegal money.”

Al Capone

