

Tiger Taxation

a step-by-step explanation of taxes

Step 1:

What Are Taxes?

(a) basic information

Employers will take out money from your paycheck and **send it to the government on your behalf**. If the employer sends too much money, the IRS will send a refund. **Tax returns** compare how much you sent in versus how much you should have sent in.

(b) W2 form

The **W2 form** is the form most students will encounter. **Employers** for both **salaried** and **hourly** jobs are required to fill out a W2 form to **withhold income** from paychecks.

(c) timing

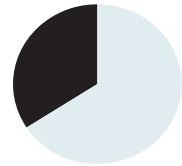
- ☒ The tax year runs from **Jan. 1** of the year to **Dec. 31**.
- ☒ Documents for tax returns should be received by **Feb. 15**.
- ☐ The deadline for filing an income tax return is **April 15**.

(d) purpose

The purpose is to pay for **government services** such as education, healthcare, national defense and transportation.

Do you understand taxes?

If not, 66% of 197 BV students surveyed also are confused about taxes.



Read Step 2 ONLY if you want further clarification on the basics ; otherwise, skip to Step 3. Scan the QR code or visit irs.gov/publications/p929 for more information.

Step 2:

Vocab

Income tax system- taxes high-income earners at a higher rate than low-income earners.

Gross income- total income before taxes

Taxable income- amount subject to tax

Fun Facts

- ▶ Ancient Mesopotamians paid taxes with livestock and labor
- ▶ From 1784 to 1811, England had a men's hat tax.

Step 3:

Personal Finance

There are many businesses classes at BV which teach students everything they need to know to prepare for the financial side of life including Personal Finance, taught by **Laurie Warwick**, **Dwight Williams** and **Brooke Poskin**. The class covers topics from budgeting and credit to taxes.

"We go over what kind of federal taxes come out of your paycheck and how you figure that, and we also cover state taxes," Warwick said. "A lot of kids don't realize [both] their federal and state deductions come out."

For students working their first job, Warwick reminds to keep in mind the difference between the gross income and the post-tax paycheck.

"When they tell you how much you're going to be earning per hour, you really need to go ahead and mentally deduct 20 to 30 percent," Warwick said. "If somebody tells you they're going to be paying you \$10 an hour, it's really more going be like \$7 or \$8."