



TAXES

LESSON TOPICS

1. What are Taxes?

Taxes are the way a government raises funds for the needs and wants of a society. Taxes are not voluntary but in fact mandatory. The liabilities of taxes can be thought of as individually, small business, or large business related. Various earnings warrant taxes including gross and net pay, property ownership, purchases made, certain activities, and certain services used.

2. How are Taxes, Reporting, and Collecting Enforced?

Taxes are enforced through monetary penalties and interest imposed. Penalties can occur when not filing a tax return even if zero is due and when money is owed but not paid or reported. Interest will also accrue when taxes are not paid in a timely fashion. In the worst cases, criminal charges can occur and even jail time sentenced. Another reason to file, pay and report correctly is the daily efficiency of your business. Your business may be denied a loan from the bank and/or have to shut its' doors.

3. How do We Stay Compliant?

Individuals and businesses both have the responsibility of keeping up with their taxes and the liabilities that come with them. Individuals and even some small businesses can approach tax requirements

on their own if their situation is not very complicated. They are able to do this by using resources especially at irs.gov or at your particular State's Department of Revenue. In the cases that are more complicated a professional will need to be hired such as an enrolled agent, tax preparation service, local CPA, or a tax attorney. When tax filing, staying compliant is not the only factor to consider for a small business but also planning opportunities. Planning is proactive vs. compliance which is reactive. By being proactive, or planning ahead, you will be able to pay what you actually owe in taxes and not any extra.

4. Cash Flow Statement

There are credits available for tax payers. In particular the earned income credit which can assist taxpayers who are working but have an income below a certain threshold designated by the government. A more recent benefit deals with the COVID pandemic and the CARES Act that the government created. The CARES Act provides stimulus payments to taxpayers that are below a certain earnings threshold. If the taxpayer did not receive these stimulus payments in a timely manner, the taxpayer would be able to then report this on their taxes and receive that payment. Lastly, taxpayers can benefit from social security and medicare which are social programs that help seniors in retirement funding options as well as life insurance for beneficiaries and those with disabilities.