
6. Introduction to Taxes

Did you know?

Individuals pay most of the taxes collected by the federal government. In the 1990s, 73% of taxes came from individuals and only 15% from companies (United for a Fair Economy, Boston, MA).

UNIT 6: INTRODUCTION TO TAXES

Lesson 1: What are Taxes?

Pre-Class Preparation:

Keep in mind that some of your students may be concerned about their immigration status when they file taxes. Assure them that obtaining the ITIN is important and that they should file their taxes with this number if they don't have a valid social security number. In addition, some students may get paid in cash. They should still file their income taxes. Encourage your students to report all of their earnings.

Lesson Objectives:

- Students will know who has to pay taxes
- Students will understand why people have to pay taxes
- Students will understand what kind of taxes there are
- Students will know how to keep records to help them file an income tax return
- Students will be able to read a W-2 form

Language Skills:

Speaking, listening, reading, writing

Grammar review: Present tense, past tense, future tense

Vocabulary:

- Deduction
- To “do your taxes”
- To file (tax forms)
- Income tax
- Income tax return
- Individual Tax Identification Number (ITIN)
- Internal Revenue Service (IRS)
- To keep records
- Make money
- Medicare
- Paycheck stub
- Property tax
- Refund
- Sales tax
- Social Security
- Take out
- W-2

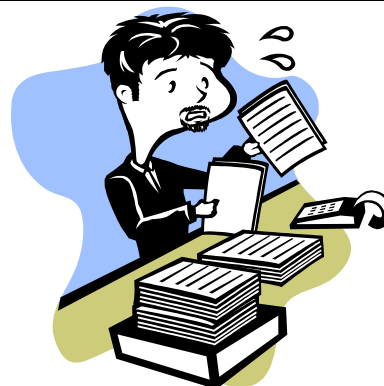
Introduction Activity: Discussion

The discussion can give the teacher an idea of how much students already know about the topic and what experience they already have with the topic. Have students discuss these questions in a small group or with the entire class.

1. Talk about your experience paying taxes.

2. Why should you pay taxes?

You can explain that students who don't file their taxes can owe money to the government in the future. You should stress that it is a good idea for



students to file their taxes if they will be changing their immigration status in the future.

3. What do you know about taxes?

Vocabulary Exercise:

Define each of the following words. If you do not know a definition, you can leave it blank. Try the exercise again after reading the following dialogue. Circle the vocabulary words in the dialogue. Use the dialogue to help you find the definitions.

Remind the students that it is not necessary to know all the words in a passage in order to understand the passage. Emphasize the use of context in reading unfamiliar passages. As an alternate activity, you could have students write sentences or dialogues using the vocabulary words below.

1. Deduction:

If you spend money on certain things, you can deduct that money from your income on your tax return. You will need to complete more forms with your tax return. Francisco gave a donation to charity that he can include as a deduction on his taxes.

2. Income tax:

Money the federal and state government takes from your paycheck to pay for services (where applicable). Marla looked at her paycheck to see how much money she is paying in income tax.

3. Income tax return:

A form you complete each year that says how much money you earned and how much money you paid in income tax. Every year, Jay completes his income tax return.

4. ITIN:

Individual Tax Identification Number. A number that you can obtain if you don't have a valid social security number. You can file a tax return with this number. Ali got an individual tax identification number for all of her children before completing her income tax return.

5. Internal Revenue Service (IRS):

The United States tax office. Bob called the IRS because he had some questions about his income tax return.

6. Medicare

A government program that helps the elderly pay for medical expenses. Money is taken out of your paycheck for Medicare. Some immigrants can't receive Medicare benefits. Mr. Jones uses his Medicare benefits to help him pay for his hospital bills.

6. Property tax:

Money that you pay the government if you own a car, house, land or other property. When he bought his car, Armando had to start paying property tax.

7. Sales tax:

Money that you pay to the state and local government every time you buy something (where applicable). When Lily went shopping for clothes, she paid \$5.50 in sales tax.

8. Social Security:

Money you pay to the government now and the government will give back to you after a number of years if you retire, become disabled or die. Some immigrants can't receive Social Security benefits. Sometimes Social Security benefits are called FICA (Federal Insurance Contributions Act). When Christy stops working, she will use the money she gets from her Social Security benefits to pay her bills.

9. W-2:

A form that tells how much money you earned and how much money was taken out of your paycheck for taxes in a year. Each January, Kyle receives his W-2 from his work.



Dialogue 1:

The dialogues can comfort levels of the cassette or exercise. Students

students can read the dialogue aloud in class. Remind students to listen for vocabulary in the context of the dialogue. Teachers can also use this dialogue as a “cloze” activity where students fill in the blank on missing words. Other ways to use the dialogues include using parts of it as a dictation and/or for pronunciation purposes.

Listening / speaking / pronunciation

be used in various ways, depending on the ability and class. The teacher may record the dialogue on a videotape before class and use it as a listening can write down the words they hear. Two or more

Ann: Joe, I hear people talking about taxes all the time. What are taxes?

Joe: Tax is the money that you pay to the government so that they can give you services like schools, roads, police, Social Security and the military.



Ann: Does everyone have to pay taxes?

Joe: Almost everyone has to pay taxes. This is because everyone uses the services that the government provides with tax money.

Ann: How do I pay taxes?

Joe: There are several different kinds of taxes. One kind of tax is a sales tax. The other is income tax. People who own a car or a house also have to pay property tax.

Ann: What is sales tax?

Joe: Have you ever noticed that when you go to the store to buy something, like a book, you have to pay a little more than the price on the book?

Ann: Yes.

Joe: That's sales tax. Most states have sales tax. If you buy things like cigarettes or alcohol, you pay more sales tax.

Ann: What is income tax?

Joe: Income tax is the money that is taken from your paycheck every time you get paid. People who make a lot of money have to pay more income tax.

Ann: What is property tax?

Joe: Property tax is money that you have to pay if you own a home or other property like a car. You pay more taxes if your car or house is very expensive.



Comprehension Questions:

1. Money taken out of your paycheck to pay for government services: a
 - a. Income tax
 - b. Sales tax
 - c. Property tax

2. Money you have to pay to the government if you own a car, home or land: c
 - a. Income tax
 - b. Sales tax
 - c. Property tax

3. Money you pay to the government when you buy things: b
 - a. Income tax
 - b. Sales tax
 - c. Property tax

4. Taxes help pay for: e
 - a. Roads
 - b. Schools
 - c. Police
 - d. Social Security
 - e. All of the above

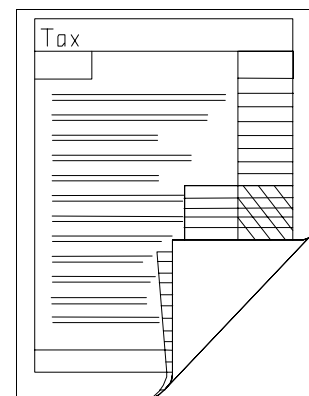


Reading and Listening Practice: Income Tax Return

You can also use this activity for pronunciation practice.

Listen as your teacher reads this out loud.

When people talk about “doing their taxes,” they are talking about completing or filing an income tax return. An income tax return is a document. It says how much money you have to



pay in income taxes and how much you already paid last year. If you paid more money than you had to, you will get money back. This is called a refund. Everyone who has a job in the United States has to complete an income tax return.

There is more information about income tax returns in the next lesson.

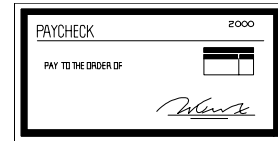
Dialogue 2:

Ann: Joe, what information do I need to file an income tax return?

Joe: The most important information on your tax return is your income, the amount of taxes you paid, and deductions. You should keep your documents that have this information.

Ann: How do I do that?

Joe: Every time you get a paycheck, you should keep the paycheck stub. If you get paid in cash, always write down how much you get paid. Keep these records in a safe place so you can find them when you file your income tax return.



Ann: Is there anything else I should save?

Joe: Interest that you receive from your savings or investment accounts is also income. Save information about your accounts.

Ann: Is that all?

Joe: In January, you will receive a form that tells how much money you earned and how much money you paid in taxes. This form is called a W-2. You will also receive information about your savings accounts (form 1099) and about interest that you paid if you own your home (form 1098). Save this information.

Ann: You talked about deductions. What are those?

Joe: The government lets you pay less money in taxes if you spend money on certain things. For example, if you donate money to charity, you can subtract that money from your income on your tax return. You can also deduct the money that you pay in property taxes. Other expenses that can sometimes be deducted include childcare, continuing education and travel for your job.

Ann: How do I keep records of my deductions?

Joe: Save your receipts. If you think that something is deductible, save the receipt. If you have a lot of deductible expenses, you will need to complete another form with your income tax return.



Ann: Is there anything else that I need to have to complete my income tax return?

Joe: That's all. You just need the information on how much money you earn, how much money you pay in taxes, and how much money you spend on deductible expenses.

Important Note: Federal and State Income Taxes

Everyone has to pay income taxes to the state where you live and to the federal government. You will notice that money is taken out of your paycheck for both the state and federal income taxes. If not enough money is taken out from your paycheck, you will have to pay money back when you file your taxes. You need to ask your employer to help you decide how much money should be taken out of your paycheck.

Skills Practice:

Look at Ann's W-2 Form. Answer the following questions:

Control Number: 0000-0000000	Employer's name and address: MY JOB 123 Main Street Hometown, ST 22222	Department of the Treasury – Internal Revenue Service OMB No. 0000-0000	
Employer's ID Number: 0000000	Employee's SS#: 000-00-0000	Wages, tips and other compensation: 40,000	Federal income tax withheld: 4,300
		Social Security Wages: 40,000	Social Security tax withheld: 5,000
		Medicare wages and tips: 40,000	Medicare tax withheld: 1,900
	Employee's name and address: Ann Teng 1001 5 th Street Hometown, NY 22222	Social Security Tips: Advance EIC payment:	Allocated tips: Dependent care benefits:
State: NC	Employer's State ID #: 000000000	State wages, tips, etc.: 40,000.00	State income tax: 1,500.00
		Nonqualified plans: Local wages, tips, etc:	Local income tax:

1. What was Ann's income last year? \$40,000.00
2. How much money did Ann pay in federal income tax? \$4,300.00
3. How much money did Ann pay in Social Security? \$5,000.00
4. How much money did Ann pay in Medicare? \$1,900.00
5. How much money did Ann pay in state income tax? \$1,500.00
6. How much total money did Ann pay in taxes?
\$4,300 + \$5,000 + \$1,900 + \$1,500 = \$12,700.00



Reading and Listening Practice: ITIN

Listen as your teacher reads this out loud.

The Individual Tax Identification Number lets you file your income tax return if you do not have a valid social security number. It is very important for everyone who earns a certain amount of money in the United States to file an income tax return. When you apply for an ITIN, the Internal Revenue Service (IRS) **does not** contact the immigration office (INS). You should get an ITIN for every member of your family who doesn't have a valid social security number so you can include them as dependents. Some community centers can help you obtain an ITIN. Don't pay too much money to have someone help you apply for this number.

Grammar Activity:

Put the correct form of the verb in the blank.

1. Michelle wants (to want) to pay (to pay) her income taxes.
2. All year she saved/has saved (to save) her paycheck stubs and receipts.
3. Last week, she received (to receive) her W-2 form in the mail.
4. Next week, she will go (to go) to the community center.
5. They will help (to help) her prepare (to prepare) her income tax return.
6. Michelle hopes (to hope) that she will receive (to receive) an income tax refund.
7. She will get (to get) a refund if she has paid/paid (to pay) more than she owes/owed (to owe) to the government.

Important Note: Automobile Taxes

If you own a car, you will receive a tax bill by mail every year. You should pay this on time. If you don't pay it, you can lose your license. What you pay on automobile tax can be a deduction from your federal taxes.

Evaluation:

Write one thing that you learned.

What is one thing that you do not understand?

Teacher Evaluation:

What did the students find difficult or challenging about this lesson?

What did the students learn that was NOT in the lesson plan?

What worked well in this lesson?

What will I change about this lesson for the next time?

Restate the lesson goals. Were they achieved?



UNIT 4: INTRODUCTION TO TAXES

Lesson 2: Understanding my Income Tax Return

Pre-Class Preparation:

Find out what libraries, community centers, churches and schools in your community are available to help people with their tax returns. Does the local cultural center help people with their taxes? Download tax forms, such as the 1040-A from <http://www.irs.gov> or find them at your local public library. Study these forms yourself and be familiar with them so that you can answer questions from your students. Bring the forms to class and show them to the students. You can invite an accountant or someone from the Volunteer Income Tax Assistance program (VITA) to speak to your students. The VITA program helps non-English speakers and low-income individuals to file their taxes free of charge. To find a VITA site near you, call your local IRS office.

Lesson Objectives:

- Students will know the process of filing their income tax returns
- Students will understand the earned income credit
- Students will understand the different types of deductions

Language Skills:

Speaking, listening, reading, writing
Grammar review: Past tense

Vocabulary:

- Dependent
- Earned income credit
- Extension
- Non-resident alien
- Requirements
- Tax refund

Introduction Activity: Discussion

The discussion can give the teacher an idea of how much students already know and what experience they already have with the topic. Have students discuss these questions in a small group or with the entire class.

1. Have you ever filed an income tax return? If so, did someone help you? What was your experience with filing your tax return?
2. What do you know about filing an income tax return?



Vocabulary Exercise:

Match the following words with their definitions.

You can also have students write sentences or dialogues using the vocabulary words below.

1. Non-resident alien:	A reduction in your taxes if you work but earn little money.
2. Dependent:	Money you receive from the government if you paid too much income tax in the past year.
3. Tax Refund:	A person who you support financially. For example, children, elderly parents, or a husband or wife that doesn't work.
4. Earned Income Credit:	An immigrant who is not a permanent resident and doesn't have a "green card."
5. Requirements	To give you more time to do something.
6. Extension	Something you need before you can apply for something



Reading Practice:

1. Who has to complete an income tax return?

Everyone who earns above the minimum amount set by the IRS must complete a tax return. The minimum amount changes and depends on your age and marriage status. If you are an adult and earn more than \$7,000 per year, you will probably have to complete a tax return.



2. How do I complete an income tax return?

To file a tax return, you complete the correct form and send it to the Internal Revenue Service. You may need help with the form. Some community centers, churches and libraries have volunteers to help you with your taxes. You can also pay an accountant to help you file your taxes. Ask how much money they will charge you first.

3. Where can I get tax forms? Public libraries and community centers have tax forms. You can get forms on the Internet at <http://www.irs.gov> or you can call 1-800-TAX-FORM to order forms.

4. When do I send my tax return by mail? By April 15.

5. What do I do if I file my return late? You should complete form 4868 to ask for an extension so you can have more time. If you owe money, you will have to pay a fee or interest if you pay after April 15 even if you ask for an extension. If you can't pay the money you owe, you can ask for a payment plan.

6. How do I know what form to file? There are several different types of forms. Most people will use the 1040-A or 1040-EZ form.

7. How many tax returns do I have to complete? Each year you must file two tax returns: one federal tax return and one state tax return.



8. What are dependents? Dependents are people that you support financially. Children are dependents until they are out of school. Elderly parents can also be dependents. A husband or wife who doesn't have a job is also a dependent. You pay less tax if you have dependents. Do NOT include dependents that don't exist because you may have to pay money to the government later. When you complete your tax return, every dependent has to have an Individual Tax Identification Number if they don't have a valid social security number. For each dependent child, you can request a child tax credit.

9. What is the child tax credit? You can use the child tax credit if you have a child who is under 17, is a citizen or resident of the U.S. and you can claim them as a dependent. This is a credit that will help you reduce the amount of money you pay in tax. The credit is up to \$600 for each child that qualifies.

10. What is a tax refund? A refund is money that you get back. If your employer took too much money out of your paychecks, you will receive a refund. The information on your tax return determines if you will get a refund or if you will have to pay money.

Review Activity:

Judy is going to complete her income tax return. What should she do first? Second? Put the following steps in the correct order. The first one is done for you as an example.

- 5 Judy completes the 1040-EZ form. She uses her W-2 to find the information she needs. She asks the volunteer at the library to help her when she has questions.
- 1 Judy finds her W-2 and all of her deductible receipts.
- 7 Judy receives a refund in the mail.
- 2 Judy goes to the library.
- 4 Judy decides that her finances are simple. She can use the 1040-EZ form.
- 6 Judy mails the 1040-EZ form to the IRS.
- 3 Judy talks to the volunteer at the library. The volunteer tells Ann about the different kinds of tax forms.



Grammar Activity:

Look at the Review Activity. Judy completed her taxes for this year. Rewrite the steps she took using the past tense.

1. Judy found her W-2 and all of her deductible receipts.
2. Judy went to the library.
3. Judy talked to the volunteer at the library. The volunteer told Ann about the different kinds of tax forms.
4. Judy decided that her finances are simple. She can use the 1040-EZ form.
5. Judy completed the 1040-EZ form. She used her W-2. She asked the volunteer at the library to help her when she had questions.
6. Judy mailed the 1040-EZ form to the IRS.
7. Judy received a refund in the mail.



Speaking Practice:

Role-play calling the IRS to request tax forms.

Important Note: Be Careful!

- If you will receive a refund, don't use the services of companies that offer rapid refunds. You may receive a loan for a short period of time until you get your money from the government. You will have to pay a very high interest rate.
- A notary public may not be an expert in taxes. In many countries, notaries are attorneys or have training in tax preparation. This is different in the United States. If you pay someone to help you with your taxes, ask if they are an accredited tax preparer. You can get free help from a volunteer from the VITA program.
- Use the same name every time you file a tax return. In some countries, people use more than one last name. Always use the name on your Social Security or Individual Tax Identification Number card when you complete your tax documents.

Reading and Listening Practice:

Listen as your teacher reads this out loud.

The Earned Income Credit

The earned income credit (EIC) is for people who work, but earn under a certain amount of money. The earned income credit means that you have to pay less in taxes. If you don't earn a lot of money, you should ask about the earned income credit. You must have a valid social security number to receive the earned income credit. If you meet the requirements, you have to complete an additional form (Schedule EIC).

Child and Dependent Care Expenses:

If you pay for someone to stay with your children or an adult dependent while you are at work, you may be able to deduct that expense. The person who takes care of your children or adult dependent has to report what you pay them as income on their taxes. You will have to give their name and social security number or ITIN.

Documents:

Some immigrants who are not permanent residents or citizens may not be able to receive Social Security benefits (if they retire, become disabled or die) or Medicare benefits (to pay for medical expenses when they are older). If you are in this situation, you should still file your taxes. If you will be applying for permanent residency or U.S. citizenship, it may help you to show that you have filed your income taxes.

Comprehension Questions:

1. Who can receive the earned income credit (EIC)?
2. Can you subtract the money you spend for someone to stay with your children or an adult dependent while you work when you file your taxes?
3. Is it a good idea for immigrants who are not permanent residents or citizens to file their income taxes?

Skills Practice: Deductions

The government lets people deduct some expenses. For example, the government likes it when people donate money or things to charity. Sometimes people can deduct expenses for job training, travel for their work or medical expenses. You can subtract deductions from your income when you file your income tax. You have to complete another form with your income tax return to deduct expenses.

Circle the picture of the expenses you think you can include as deductions.

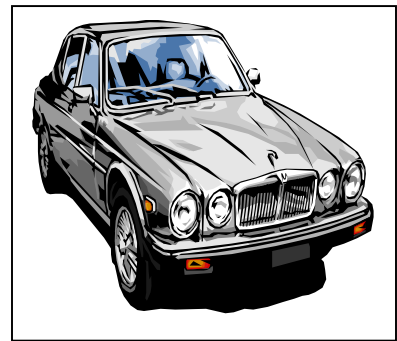
All of the expenses can be deducted.



1. Charity



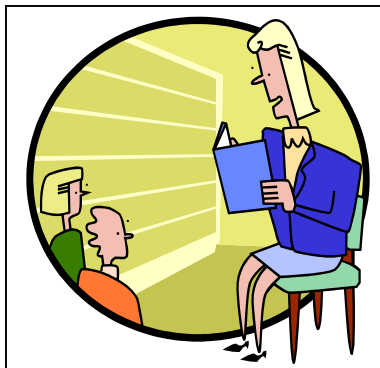
2. Job training



3. Property taxes



5. Travel for your job



6. Childcare while you work



8. Some medical expenses

Review Activity:

Find the vocabulary words and draw a circle around them.

E	L	B	U	G	H	R	I	S
A	T	W	P	A	F	E	P	Y
R	O	U	X	B	L	Q	K	M
N	S	M	S	Z	L	U	U	A
E	X	T	E	N	S	I	O	N
D	G	A	W	I	L	R	M	O
I	O	X	S	C	I	E	U	B
N	P	R	E	C	P	M	X	N
C	E	E	R	S	O	E	L	I
O	J	F	F	Y	B	N	P	A
M	L	U	O	N	C	T	Q	C
E	R	N	Z	W	N	S	I	D
C	A	D	A	E	V	M	L	F
R	I	M	U	X	C	T	R	S
E	F	Y	C	I	O	N	A	B
D	E	P	E	N	D	E	N	T
I	L	A	R	B	V	C	I	N
T	Q	Z	C	P	Y	A	E	S

Homework:

Write a plan to complete your taxes this year. Who will you ask for help? Where will you get the tax forms? What information do you need?

Evaluation:

Write one thing that you learned.

What is one thing that you do not understand?

Teacher Evaluation:

What did the students find difficult or challenging about this lesson?

What did the students learn that was NOT in the lesson plan?

What worked well in this lesson?

What will I change about this lesson for the next time?

Restate the lesson goals. Were they achieved?
