



UNITED TRIBES
TECHNICAL COLLEGE
LAND GRANT EXTENSION

UTTC LAND GRANT EXTENSION

UTTC Lifeskills Lessons – Money Matter\$

Lesson 11: Taxes

LS00011

FACT\$:

- April 15, is the annual due date for filing individual returns for federal and most state and local tax returns.
- Every US citizen who is earning a salary or money from consulting, selling homemade items, or self-employment in this country is required to be reported on a federal income tax return. Some factors taken into account are gross income, filing status and current age.
- Federal income tax is the tax imposed by the federal government on the income of individuals, corporations, and even trusts and estates.
- Taxable income is the gross income minus allowable tax deductions.
- Child support is not tax-deductible.
- North Dakota employers are required to withhold a portion of the employee's wages earned within the state for payment of income tax. There is no employer withholding tax requirement in South Dakota.

RESOURCES

1. Building Native Communities... Financial Skills for Families
2. www.asktaxquestions.org
3. www.irs.gov/publications/p17/index.html
4. www.nd.gov/tax/user/individuals/forms
5. <http://taxes.about.com/od/deductionscredits/qt/earnedincome>
6. UTTC Lifeskills Lesson 8 Handout: Reading a Pay Check Statement

EARNED INCOME CREDIT (EIC)

The Earned Income Credit (EIC) may provide you an unexpected refund. The Earned Income Tax Credit is a refundable tax credit opportunity. EIC can reduce YOUR federal tax to zero and any unused credit (withheld by your employer) is refunded. But, workers must file a tax return to get the credit even if their income is below the filing requirement. To qualify, workers must have taxable income because they worked or were SELF-EMPLOYED in a business or on a farm.

EIC is an Antipoverty Program

- For tax year 2014, 27.5 million people received about \$66.7 billion in EIC.
- The average amount of EIC paid out in 2014 was more than \$2,400 per applicant.
- One in five people eligible for the EIC do are not aware or do not actually claim it.
- EIC and the CTC, Child Tax Credit, greatly reduce poverty for working families. These working family credits lifted an estimated 9.4 million people out of poverty, including 5 million or more than half of them children.

People who should apply for EIC are:

- people living in rural or reservation areas,
- people who are self-employed,
- individuals with disabilities,
- people who do not have qualifying children in their home,
- those not proficient in English,
- grandparents raising their grandchildren, and/or
- persons recently divorced, unemployed, or experienced a parental status change.

**In This World nothing is
Certain but Death and Taxes**
-Benjamin Franklin



WONDER WHAT THE IMPACT OF TAXES ARE?

How Does the Federal Government Spend Your Tax Dollars:

- Defense and International Security **19%**
- Social Security **24%**
- Medicare, Medicaid, Children's Health Insurance Programs **22%**
- Safety Net Programs **12%**
- Interest on the Debt **6%**
- Other Federal Programs **17%**

How Do Tax Payers Spend Their Refund (Impacting the Local Economy)?

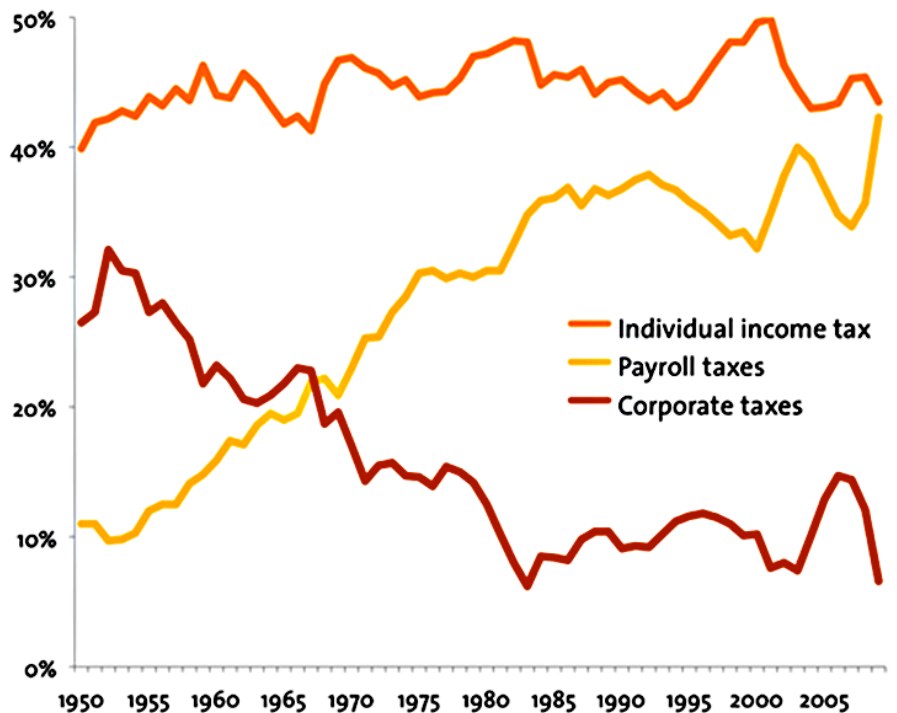
- Pay down debt **30%**
- Save or invest it **28%**
- Buy Necessities **26%**
- Buy luxuries or Vacations **9%**
- Not Sure **7%**

Taxing Thoughts:

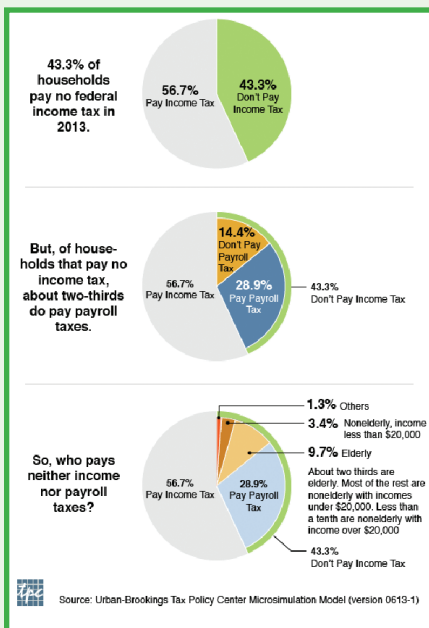
- Employee's gross pay (pay rate x hours worked) minus statutory payroll tax deductions minus voluntary payroll deductions equals **Net Pay**. **Gross pay is reported on a W2 (1099 for self-employed)**. Those documents are what is used to report taxable income and pay federal taxes.
- Taxes can be filed as Single, Married filing jointly, Married filing separately, Head of Household, or Qualified Widow/er.
- Itemizing deductions means reporting actual expenses for various types of deductions to claim against your tax liability.
- Individuals are entitled to claim a personal exemption for themselves and any dependents they support. The personal exemption acts just like a tax deduction: it reduces your taxable income, so you end up paying taxes on less income.
- Property tax is a tax that is based on the value of property. Generally, the tax is levied by the jurisdiction body where the property is located. Property taxes can be paid to the federal, state or local government.
- Tribal governments receive tax dollars through federal programs, individuals who spend their refund locally, and also levied taxes set by the Tribal Administration.

WHO PAYS TAXES – Individuals, Corporations, & Workers

SOURCES OF FEDERAL TAX REVENUE 1950-2009



Source: Senate Joint Committee on Taxation





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TAXES

OBJECTIVES:

1. To provide opportunity to discuss why paying taxes is a citizen's responsibility and obligation.
2. To identify the differences and relationship between withholding tax and income taxes.
3. To understand what earned income credit (EIC) is and how to apply for EIC.
4. To provide resources regarding where to access forms and assistance for filing income tax.
5. To briefly discuss how tax dollars are spent federally and locally.
6. To briefly discuss how tax refunds become part of an individual budget and impact local economics.

PROCEDURE:

1. Write objectives on the board.
2. Distribute the Lesson 11 Talking Sheet – Taxes
3. Ask for a volunteer to open session with a prayer, announce the session will open with a minute of silence, or verbalize a short (2-3 sentences) to thank the creator for the opportunity to assist in supporting a just society.
4. Review the facts, EIC information, and Taxing Thoughts and answer questions participants may ask.
5. Facilitate short discussion relating to tax forms and how federal tax dollars support the country's infrastructure.
6. Plan an activity for participants to consider their personal tax refund and how they use that in their personal budget.

RESOURCES FOR INSTRUCTION SUPPORT:

1. Access IRS tax forms and become aware e-filing (post office or www.asktaxquestions.org, www.irs.gov/publications/p17/index.html, www.nd.gov/tax/user/individuals/forms)
2. Connection to local tax preparers (including potential local VITA sites) for referral purposes.
3. Understanding of EIC <http://taxes.about.com/od/deductionscredits/qt/earnedincome> or Building Native Communities... Financial Skills for Families
4. Paper to handout for participant for activity regarding tax refund check and personal budgets.
5. UTTC Lifeskills Lesson 8 Handout: Reading a Pay Check Statement

TIME:

50 minute



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EVALUATION

On a scale of 1 to 5, with 1 being least confident and 5 being most confident, please circle one per question.

Not Confident

Very Confident

Please rate how confident you are in accessing IRS tax forms and filing.

1 2 3 4 5

Please rate how confident you are in knowing what forms you need from your employer or self-employed money sources to file income tax.

1 2 3 4 5

Please rate how confident you are in understanding what EIC is and if it applies to you.

1 2 3 4 5

Please rate how confident you are in planning how to best use a tax refund.

1 2 3 4 5

New things I learned or understand better because of the lesson

Comments
