April 15th: An Important Day for Americans, but Not Exactly a Holiday

April 15, 2005

I’m Gwen Outen with the VOA Special English Economics Report.

April fifteenth is tax day for Americans. It is the last day to pay federal income taxes for the year before. Most taxpayers have enough income tax collected all year long through their employer. So they do not owe any more. In fact, most get some money back.

There are different ways for people to reduce their income taxes. Homeowners, for example, can deduct the interest they pay on a home loan. And there are tax credits, including credits for children.

Income tax rates increase as income increases. People who earned more than three hundred nineteen thousand dollars last year had the highest rate, thirty-five percent.

The Constitution gives Congress the power to establish federal taxes. State and local governments can also tax. But the idea of national taxes took time.

In seventeen ninety-one Congress approved a tax on whiskey and other alcoholic drink. Farmers in western Pennsylvania who produced alcohol refused to pay. They attacked officials and burned the home of a tax collector.

George Washington, America’s first president, gathered troops. The soldiers defeated the so-called Whiskey Rebellion of seventeen ninety-four. It was one of the first times the government used its powers to enforce a federal law within a state.

At first, the United States government collected most of its money through tariffs. These are taxes on trade. Then, in the late eighteen hundreds, Congress began to tax the money that people earned in their jobs.
The Supreme Court rejected the personal income tax as unconstitutional. So the states changed the Constitution. In nineteen-thirteen they passed the Sixteenth Amendment. It gives Congress the power to collect taxes on income.

In two thousand three, personal income tax provided the government with thirty-seven percent of its money. Income tax on businesses provided six percent.

Other taxes provided an additional forty percent of the budget. And the remaining seventeen percent of federal income was money borrowed to cover the deficit.

American tax laws are very complex. The Internal Revenue Service collects federal taxes. The I.R.S. estimates that taxpayers need an average of thirteen hours and thirty-five minutes in preparation time. And that is just to complete the basic tax form. Which is why a lot of people use tax preparers to do it for them.

This VOA Special English Economics Report was written by Mario Ritter. I'm Gwen Outen.