

Internal Revenue Service

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Background Information

What is the IRS?

- The IRS stands for International Revenue Service. The IRS is a bureau of the Department of the Treasury within the United States Federal Government

How did it begin?

- In July 1864, during the Civil War, President Abraham Lincoln and P. G. Dixon, the Commissioner of Internal Revenue, introduced a temporary income tax to pay war expenses.
- The act was then called the Revenue Act of 1862, and was passed in an emergency and temporary war-time act.

Initial tax rates

- The initial rate was 3% on income over \$800, which exempted most wage-earners.
- In 1862 the rate was 3% on income between \$400 and \$10,000, and 5% on income over \$10,000.
- In 1864 the rate was 5% on income between \$400 and \$5,000; 7.5% on income \$5,000-\$10,000; and 10% on income \$10,000 and above.

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Initial tax rates

- The initial rate was 3% on income over \$800, which exempted most wage-earners.
- In 1862 the rate was 3% on income between \$600 and \$10,000, and 5% on income over \$10,000.
- In 1864 the rate was 5% on income between \$600 and \$5,000; 7.5% on income \$5,000–\$10,000; and 10% on income \$10,000 and above.

Role in the Government

What does it do?

- The IRS is responsible for collecting taxes and enforcing of the Internal Revenue Code.

What is its role?

- Its role is to help the largest number of taxpayers that comply with the tax law and make certain those who challenge the law will pay their fair share.

Taxes

- The collection of taxes includes the collection of income taxes, estate taxes, gift taxes, and excise taxes.
- The IRS also collects the 20% surcharge on the estate tax and the 3% surcharge on the gift tax.
- The IRS also collects the 2% surcharge on the estate tax and the 3% surcharge on the gift tax.



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