

By: Youthful Savings



Age

Table of Contents

Learning Objective | 3

History of Taxes | 3

Taxes and Government | 3

Taxes and the United States of America | 3

Taxes and the World | 4

Taxes and You | 5

Youth and Tax Planning | 5

Reflection Exercises | 7

Conclusion | 8

Glossary | 9

Learning Objective: The purpose of this learning exercise is to help youth understand the purpose of taxes, how best to manage cash flow in order to learn positive tax avoidance strategies, and gain a basic understanding of how fiscal policy works in nation building.

“In this world, nothing can be said to be certain, except death and taxes.”
- Benjamin Franklin

Taxes are a big part of adult life. If you decide to start working at a young age, you’ll also experience the pain of taxes. Understanding taxes is a key component to having a better relationship with the system that created taxes – the government.

Tax is a compulsory financial charge or some other type of levy imposed on a taxpayer (usually a private citizen or organization that is part of a state) by a governmental organization in order to fund various public expenditures.

History of Taxes

The first known taxes were levied in Ancient Egypt. Pharaohs, the kings that ran the country, used scribes to collect taxes from the citizens. They levied taxes on goods and would travel around the country auditing Egyptian households in order to ensure that each household was paying taxes. The government created a cooking oil for their citizens and would charge a tax on the oil in order to ensure that the government was making money off of its citizens. There were also other schemes created on wealth in order to tax households that funded wars with other countries.

Essentially taxes were created to fund the government and their related agenda. Similar tax structures were created in Ancient Rome and the Ottoman Empire. If citizens wanted a government to protect them and provide services, then taxes needed to be paid.

Taxes and Government

Taxes are paid to the government by citizens in order to pay for goods and services that society needs as a whole. These include schools, roads, military and law enforcement. It also pays for salaries for those that work for the government – like the President of the United States. Taxes are levied on everything from groceries, to the income you earn to the house you purchase.

Understanding how best to manage your taxes is key to living a financially savvy life. Collectively, Americans overpay the government by \$945 million every year.¹ That’s about \$400 per household.

Taxes and the United States of America

High taxes during the British rule of colonies in present day America is why the Revolutionary War began. Following the Revolutionary War, the new American government was cautious. Direct taxation was prevented by the constitution and taxes instead were levied through tariffs and duties on certain items like tobacco, liquor, sugar etc.

1. <https://www.dummies.com/personal-finance/personal-finance-taxes/taxes-101/>