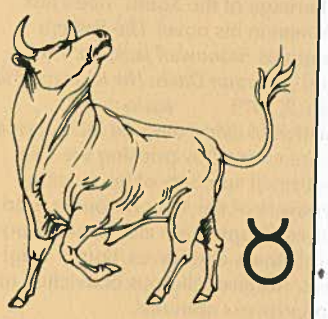
World Book Publishing

Sample Pages

from *The World Book Encyclopedia*

of Taurus, from April 20 to May 20, are loyal, patient, practical, and trustworthy. They appreciate beauty, comfort, and the countryside. Taureans move slowly and can be lazy, but they are determined to finish any task they begin. They have a down-to-earth personality and rely on their common sense.

Taurus—The Bull



Birth dates: April 20-May 20.
Group: Earth.
Characteristics: Affectionate, conservative, loyal, sensible, possessive, stubborn.

Signs of the Zodiac
Aries
March 21-April 19
Taurus
April 20-May 20
Gemini
May 21-June 20
Cancer
June 21-July 22
Leo
July 23-Aug. 22
Virgo
Aug. 23-Sept. 22
Libra
Sept. 23-Oct. 22
Scorpio
Oct. 23-Nov. 21
Sagittarius
Nov. 22-Dec. 21
Capricorn
Dec. 22-Jan. 19
Aquarius
Jan. 20-Feb. 18
Pisces
Feb. 19-March 20

Taureans, though not talkative, are affectionate, friendly, and warm-hearted. They are even-tempered but can become fierce when angered. They are stubborn and tend to keep grudges. Charles W. Clark

See also **Astrology; Horoscope; Zodiac.**

Taussig, *TOW sihg,* **Helen Brooke** (1898-1986), was an American physician who specialized in children's heart diseases. She discovered the major defects that cause the bluish tinge in the skin of *blue babies* (see **Blue baby**).

From 1930 to 1963, Taussig served as chief of the Cardiac Clinic of the Harriet Lane Home, the children's section of the Johns Hopkins Hospital in Baltimore. She found that at birth most blue babies have an abnormal opening in the *septum* (wall between the chambers of the heart) and a partial blockage of the pulmonary artery. The heart pumps blood through this artery to the lungs, where oxygen enters the blood. A lack of oxygen in the blood gives the skin a bluish color. From 1941 to 1944, Taussig and a surgeon, Alfred Blalock, developed an operation that enables the blood to bypass the faulty artery.

Taussig was born on May 24, 1898, in Cambridge, Massachusetts. She graduated from the University of California at Berkeley in 1921 and received her M.D. degree from the Johns Hopkins University School of Medicine in 1927. She died on May 21, 1986. Miriam Schneir

Tautog. See **Blackfish.**

Tax Court, United States, is a federal court that handles disputes involving income, estate, gift, and other taxes. Taxpayers who cannot reach an agreement with the Internal Revenue Service may file a petition with the U.S. Tax Court. The court has offices in Washington, D.C., but it holds sessions at locations throughout the country for the convenience of taxpayers.

Taxpayers may choose to take a case involving $10,000 or less to the court's Small Tax Division. This division provides simplified procedures for handling cases, and its decisions are final. All other Tax Court rulings may be appealed to the U.S. Court of Appeals and then to the Supreme Court of the United States.

The Tax Court was established in 1924 as the U.S. Board of Tax Appeals. It received its present name in 1969. Critically reviewed by the United States Tax Court

Tax evasion is the use of illegal methods to avoid the full payment of taxes. The amount of money that a person or business owes the government in taxes is called a *tax liability.* Tax evaders use a number of strategies to reduce their liability. Such strategies may include submitting false information to tax authorities, failing to report sources of income, or overstating *deductions* and *exemptions* (amounts that can be subtracted or excluded from taxes owed). Tax evasion is a criminal offense in most countries. Punishments for tax evasion include fines, imprisonment, or both.

At its most basic level, tax evasion involves simply staying outside of the tax system. Many tax evaders try to keep incomes and business activities hidden from tax authorities. Certain practices—such as making unrecorded cash transactions or transferring income to *offshore* (foreign) bank accounts—are difficult for authorities to detect. Tax evaders may also seek to mislead authorities. For instance, they may forge financial documents, or they may claim personal money withdrawals as business expenses.

Pyramiding is a common form of tax evasion among businesses. It occurs when a company withholds taxes from its employees but does not submit the money to the government. Some businesses use "daisy chain" schemes to evade taxes. Such schemes involve the use of multiple, often fictitious, companies, partners, or trusts to hide income or deceive authorities.

Tax evasion differs from *tax avoidance,* which is the attempted reduction of a tax liability through legal means. Many people and businesses hire lawyers or other experts to ensure that they pay no more than the minimum amount of tax required by law. Some methods of tax avoidance take advantage of irregularities and loopholes in tax laws or differences in tax policies from one area to another. Such methods are sometimes difficult to distinguish from tax evasion. Janet A. Meade

See also **Income tax; Taxation.**

Taxation is a system of raising money to finance government services and activities. Governments at various levels—local, state or provincial, and national—require people and businesses to pay taxes. Governments use the tax revenue to pay the cost of police and fire protection, health programs, schools, roads, national defense, and many other public services.

Taxes are as old as government. The types and degrees of taxation have varied through the years, depending on the role of the government. In modern times, many governments—especially in advanced industrial countries—have rapidly expanded their roles and taken on new responsibilities. As a result, their need for tax revenue has increased.

Throughout the world, people have frequently resisted tax increases. In these situations, taxpayers have favored keeping government services at current levels, or reducing them. Voters have defeated many proposals for tax increases by state, provincial, and local governments.

Kinds of taxes

Governments levy many kinds of taxes. The most important kinds include *property taxes, income taxes,* and *taxes on transactions.*

Property taxes are levied on the value of such property as farms, houses, stores, factories, and business equipment. The property tax first became important in ancient times. Today, it ranks as the chief source of income for many local governments. Most states of the United States and provinces of Canada also levy property taxes. Property taxes are called *direct taxes* because they are levied directly on the people who are expected to pay them.

Income taxes are levied on income from such sources as wages and salaries, dividends, interest, rent, and earnings of corporations. There are two main types of income taxes—*individual income taxes* and *corporate income taxes.* Individual income taxes, also called *personal income taxes,* are applied to the income of individuals and families. Corporate income taxes are levied on corporate earnings. Income taxes may also be levied on the earnings of estates and trusts.

Capital gains taxes are taxes on income from the sale of *capital assets,* which include stocks, bonds, real estate, and partnerships. Most governments treat capital gains differently from ordinary income. Capital gains tax rates are usually lower than income tax rates.

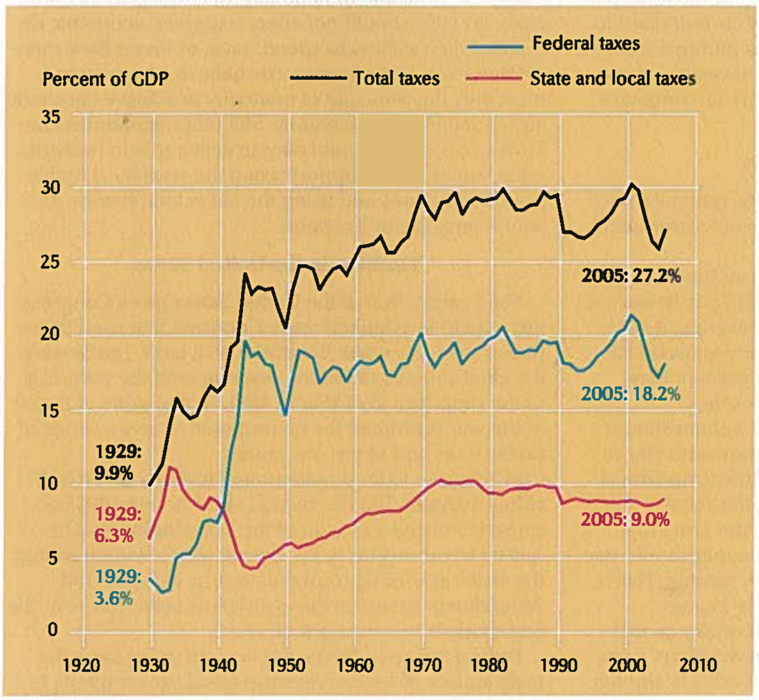
Most nations in the world levy income taxes. Many nations have income taxes at more than one level. In the United States, for instance, income taxes are levied by the federal government, most state governments, and some local governments. Many nations have special income taxes that help fund social security programs. These taxes are known as *social security contributions* or *payroll taxes.* Income taxes generally are considered to be direct taxes.

Taxes on transactions are levied on sales of goods and services and on privileges. There are three main types of taxes on transactions—*general sales taxes, excise taxes,* and *tariffs.*

General sales taxes apply one rate to the sales of many different items. The United States and Canada use general sales taxes. The *value-added tax,* or VAT, is a sales tax levied in many countries in Europe, Latin America, and elsewhere throughout the world. It is applied to the increase in value of a product at each stage in its manufacture and distribution.

Excise taxes are levied on the sales of specific products and on privileges. They include taxes on the sale of such items as gasoline, tobacco, and alcoholic beverages. Other excise taxes include the *license tax,* the *franchise tax,* and the *severance tax.* The license tax is levied on the right to participate in an activity, such as selling liquor, getting married, or going hunting or fishing. The franchise tax is a payment for the right to carry on a certain kind of business, such as operating a bus line or a public utility. The severance tax is levied on the process-

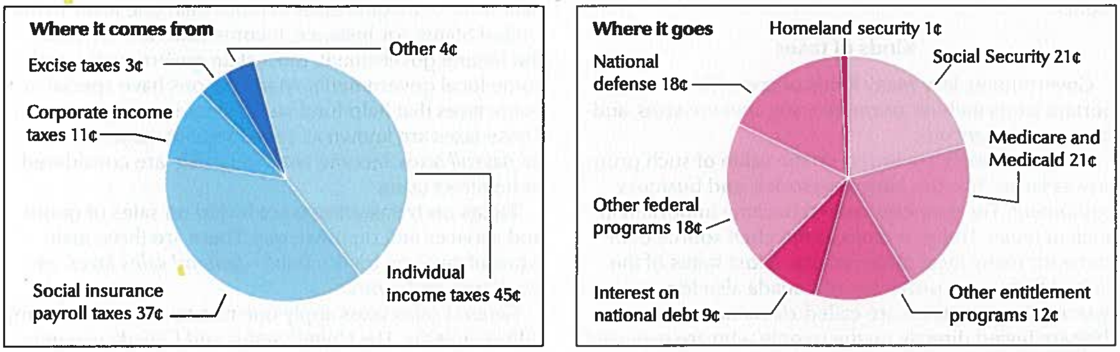
Taxes in the United States This graph shows how much of the United States *gross domestic product* (GDP) goes toward paying taxes. The GDP is the total value of all goods and services produced in a country in a year. The table shows taxes collected in the United States for selected years.



Year	Total tax (millions)	Total tax per person
1900	$ 1,332	$ 17.53
1905	1,561	18.59
1910	2,021	21.97
1915	2,781	28.14
1920	9,599	90.80
1925	8,359	73.17
1930	9,700	79.01
1935	10,500	82.53
1940	16,900	128.35
1945	52,100	369.02
1950	67,800	449.91
1955	99,200	601.17
1960	136,900	763.43
1965	183,900	961.42
1970	294,700	1,450.04
1975	460,300	2,142.02
1980	816,400	3,603.69
1985	1,205,600	5,063.65
1990	1,564,000	6,288.63
1995	2,036,300	7,682.27
1999	2,719,500	9,777.05
2000	2,969,300	10,522.10
2001	3,023,100	10,603.27
2002	2,920,300	10,140.53
2003	2,896,600	9,959.13
2004	3,035,400	10,336.70
2005	3,389,900	11,436.66

Source: *World Book* estimates based on data from the U.S. Department of Commerce.

The U.S. federal government dollar



Proposals made by President Bush in February 2006 for fiscal year Oct. 1, 2006-Sept. 30, 2007.

ing of natural resources, such as timber, natural gas, or petroleum.

Tariffs are taxes on imported goods. Countries sometimes use tariffs to protect their own industries from foreign competition. Tariffs provide protection by raising the price of imported goods, thus making the imported goods more expensive than domestic products.

General sales taxes and taxes on gasoline and other products are called *indirect taxes* because they tax a service or privilege instead of a person. Manufacturers and business owners pay these taxes, then add the cost to the prices they charge. These taxes may be called *shifted taxes* because manufacturers and business owners shift the cost of the tax to their customers.

Other taxes include *estate taxes, inheritance taxes, gift taxes,* and *taxes on wealth* or *net worth.* An estate tax is applied to the value of property before it is given to heirs. An inheritance tax is levied on the value of property after it has been given to heirs. A gift tax is applied to the value of property that is given away during a donor's lifetime. The donor pays the tax. A tax on wealth or net worth is based on the value of a person's or company's assets.

Principles of taxation

A good tax system must satisfy several general principles of taxation. The main principles include *productivity, equity,* and *elasticity.*

Productivity. The chief goal of a tax system is to generate the revenue a government needs to pay its expenses. When a tax system produces such revenue, it satisfies the principle of productivity. If a tax system fails to produce the needed revenue, the government may need to add to its debt by borrowing money.

Equity. Most people agree that a tax system should be *equitable* (fair) to the taxpayers. Economists refer to two kinds of equity—*horizontal* and *vertical.* Horizontal equity means that taxpayers who have the same amounts of income should be taxed at the same rate. Vertical equity implies that wealthier people should pay proportionately more taxes than poorer people. This is sometimes called the principle of *ability to pay.*

Governments often try to achieve tax equity by making their taxes *progressive.* A progressive tax has a rate that varies depending on the sum to which it is applied. For example, in most countries, individual income tax is a progressive tax because it applies a higher rate to larger taxable incomes than it does to smaller ones.

Elasticity. A tax system should be *elastic* (flexible) enough to satisfy the changing financial needs of a government. Under an elastic system, taxes should help stabilize the economy. For example, tax increases during periods of economic growth can help limit *inflation* (rapid price increases) by making less money available for consumers. Similarly, tax cuts during periods of economic decline can encourage consumer spending and help prevent a recession.

Other principles of taxation. Taxes should be convenient and easy to pay, and they should be inexpensive for governments to collect. In addition, taxpayers should know in advance when a tax has to be paid, so that they can save enough money to cover the payment.

Some economists believe a tax system should also satisfy the principle of *neutrality.* According to this principle, tax laws should not affect taxpayers' economic decisions, such as how to spend, save, or invest their money. However, other economists believe a tax system must defy the principle of neutrality to achieve tax equity and to stabilize the economy. Still other economists believe a tax system should play an active role in redistributing wealth. They support taxing the wealthy at highly progressive rates and using the collected revenue to finance services for the poor.

Taxation in the United States

The Constitution of the United States gives Congress the right to levy federal taxes. Congress first used its tax powers in 1789, when it introduced a tariff. Tariffs were the chief sources of federal revenue until the outbreak of the American Civil War in 1861. At that point, the cost of the war prompted the government to levy a series of excise taxes and other new taxes.

In 1894, the federal government levied a tax on individual incomes. But the tax was abolished in 1895 because it violated a section of the Constitution that required any direct tax to be *apportioned* (divided) among the states according to population. In 1913, the 16th Amendment removed this restriction. Later that year, the first modern income tax took effect.

During the early 1900's, the income tax became the main source of federal revenue. Local governments relied chiefly on property taxes. State governments also depended heavily on property taxes during the early 1900's. But by the 1930's, state governments received a large percentage of their tax revenue from income taxes and sales taxes.

During the Great Depression of the 1930's, the role of the federal government grew tremendously. The New Deal program of President Franklin D. Roosevelt greatly increased federal services and activities to help bring economic relief to the country (see **New Deal**).

The federal government continued to expand its activities during and after World War II (1939-1945). As a result, the nation's tax system also grew to pay for the new federal programs.

Today, the main federal taxes are individual and corporate income taxes and Social Security contributions. Some revenue from these taxes goes to state and local governments to finance such projects as roadbuilding and public housing.

Taxation in other countries

Most modern tax systems contain a mix of individual and corporate income taxes, payroll taxes, and general sales taxes. Some systems also have value-added taxes, property taxes, and taxes on net worth. Most industrialized countries rely heavily on income taxes and sales taxes. Less developed countries rely more heavily on taxes on international trade. In many countries, federal governments collect most of the tax revenue and then share a portion of the money with lower levels of government.

In Canada, the individual income tax is the chief source of revenue for the federal and provincial governments. Other sources of revenue include sales taxes (including the Goods and Services Tax), corporate income taxes, capital gains taxes, payroll taxes, and excise taxes. Property taxes are the main source of revenue for local governments.

In the United Kingdom, taxes collected by the central government include individual and corporate income taxes, capital gains taxes, payroll taxes, and value-added taxes. Other sources of revenue include inheritance taxes, excise taxes, and *stamp duties*. Stamp duties are taxes levied on the transfer of certain assets, such as land and *securities* (stocks and bonds). Local governments receive funds through a *council tax*, a local tax based on property values. The tax systems of Australia and New Zealand are largely similar to the British system.

Taxation in India includes individual and corporate income taxes, capital gains taxes, payroll taxes, and value-added taxes. India imposes a *business tax* on certain services, such as advertising, banking, and consulting. It also has a *wealth tax* that may be applied to such assets as houses, yachts, automobiles, and land. Japan relies heavily on individual and corporate income taxes, payroll taxes, and sales taxes. China relies on individual and corporate income taxes, property taxes, excise taxes, and value-added taxes.

Janet A. Meade

Related articles in *World Book* include:

Assessment	Internal revenue	Social security (Financing social security)
Capital gains tax	License	Stamp
Congressional Budget Office	Poll tax	Stamp Act
Excise	Property tax	Tariff
Flat tax	Revenue sharing	Tax evasion
Franchise	Road (How roads and highways are paid for)	Tithe
Gasoline tax	Sales tax	Turnpike
Income tax	Single tax	Value-added tax
Inheritance tax		
Inland revenue		

Additional resources

Brownlee, W. Elliot. *Federal Taxation in America.* 2nd ed. Cambridge, 2004.

Cordes, Joseph J., and others, eds. *The Encyclopedia of Taxation & Tax Policy.* 2nd. ed. Urban Inst. Pr., 2005.

Hassett, Kevin A., and Auerbach, A. J., eds. *Toward Fundamental Tax Reform.* American Enterprise Inst., 2005.

Taxco, *TAHS koh* (pop. 99,907), is a historic silver-mining town 70 miles (113 kilometers) southwest of Mexico City. Its official name is Taxco de Alarcón *(day AH lahr KOHN).* Taxco looks like an old Spanish town. Narrow cobblestone streets climb its steep hills. To preserve the town's appearance, Taxco was made a national monument. It is illegal to erect buildings in the contemporary style. Taxco's charm, crafts, and mild climate attract tourists, artists, and writers. It has been a mining center since Hernán Cortés founded it in 1529. It is the center of Mexico's silverware industry. See also **Cortés, Hernán; Mexico** (political map).

James D. Riley

Taxidermy, *TAK suh DUR mee,* is a technique for preserving animals and showing them as they looked when

Field Museum, Chicago (Taxidermy by Paul O. Brunsvold; photography by Ron Testa and Diane Alexander White)

A taxidermist proceeds through several steps to create a lifelike model of a running cheetah. First, the skin is removed from the animal and tanned, *left.* The taxidermist then makes a model casting of the animal and places the tanned skin on the casting, *center.* Finally, the taxidermist sews, glues, and pins the skin into place and adds eyes and other body features. The model is then complete, *right.*