The IRS, which stands for the Internal Revenue Service, is the main agency of the United States government responsible for collecting federal taxes and enforcing tax laws. A government agency is a branch of government created to carry out specific duties. The IRS operates under the U.S. Department of the Treasury, which is the department responsible for managing the country's finances, including collecting revenue, producing currency, and managing federal debt.

To understand the IRS, it helps to first understand taxation. A tax is a mandatory payment that individuals and businesses make to the government. Governments use tax money to fund public services and programs. These services include things like national defense, highways, public schools, disaster relief, social programs, infrastructure, and the operation of government institutions. Without taxes, governments would not have the revenue necessary to operate.

The IRS is responsible for administering the Internal Revenue Code. The Internal Revenue Code is the body of federal laws that governs how taxes are calculated, reported, and collected in the United States. Congress writes these tax laws, but the IRS enforces them and provides instructions on how taxpayers must comply with them.

One of the IRS's most visible functions is processing tax returns. A tax return is a document that individuals or businesses file with the government to report their income, calculate the taxes they owe, and determine whether they owe additional money or should receive a refund. Income refers to money earned from sources such as wages, salaries, investments, or business activities.

Most Americans file a tax return each year. The federal tax system in the United States operates on what is called a voluntary compliance system. This means individuals are responsible for reporting their income honestly and calculating their taxes according to the law. The IRS then verifies and processes the information.

Taxes in the United States are often progressive, meaning that tax rates increase as income increases. A tax rate is the percentage of income that must be paid as tax. In a progressive system, individuals with higher incomes generally pay a higher percentage of their income in taxes than those with lower incomes.

The IRS collects several different types of taxes. The most common is the federal income tax, which is based on earnings from work or investments. Another major category is payroll taxes. Payroll taxes are deducted directly from employee paychecks and help fund programs such as Social Security and Medicare. Social Security provides retirement and disability benefits to eligible workers, while Medicare provides health insurance primarily for people over age 65.

The IRS also collects corporate taxes from businesses. Corporate taxes are based on the profits earned by companies operating within the United States. In addition, the IRS administers estate taxes, which apply to certain transfers of wealth when someone dies, and excise taxes, which apply to specific goods such as fuel, tobacco, or alcohol.

Another key responsibility of the IRS is issuing tax refunds. A refund occurs when taxpayers have paid more taxes during the year than they actually owed. This often happens because employers withhold estimated tax payments from paychecks throughout the year. Withholding refers to the practice of deducting taxes from wages before the employee receives their pay.

If the withheld amount is greater than the final tax liability—the actual amount owed—then the taxpayer receives a refund from the IRS.

The IRS also provides guidance and assistance to taxpayers. This includes publishing instructions, answering questions, and offering resources to help individuals understand tax obligations. Because tax law can be complicated, many people rely on accountants or tax preparers to help file their returns correctly.

One of the most widely known enforcement tools used by the IRS is the audit. An audit is a review of a taxpayer's financial records to verify that the information reported on their tax return is accurate. During an audit, the IRS may request documentation such as receipts, bank records, or employment records to confirm reported income and deductions.

A deduction is an amount that reduces the income subject to taxation. For example, certain expenses related to education, medical care, or charitable donations may qualify as deductions under the tax code.

Audits are relatively rare compared to the total number of tax returns filed each year. When audits do occur, they can range from simple correspondence audits conducted by mail to more detailed in-person examinations of financial records.

If the IRS determines that a taxpayer has underpaid their taxes, the agency may require additional payment and may impose penalties or interest. Penalties are financial charges imposed for failing to follow tax rules, such as filing late or underreporting income. Interest is the additional amount charged over time on unpaid tax balances.

In cases involving deliberate tax evasion, the IRS may pursue legal action. Tax evasion is the illegal act of intentionally avoiding paying taxes owed. This differs from tax avoidance, which involves using legal strategies to reduce tax liability within the boundaries of the law.

The IRS also operates a division called Criminal Investigation. This division investigates serious financial crimes such as tax fraud, identity theft related to tax filings, and money laundering. Money laundering refers to the process of disguising illegally obtained money so that it appears to come from legitimate sources.

Another important role of the IRS involves distributing certain government payments. For example, during times of economic crisis, Congress may pass legislation authorizing stimulus payments or tax credits. The IRS often administers these payments by sending funds directly to eligible individuals.

Tax credits are different from deductions. While deductions reduce taxable income, credits directly reduce the amount of tax owed. Some credits are even refundable, meaning taxpayers can receive money back even if they owe no tax.

The history of the IRS dates back to the American Civil War. In 1862, the federal government created the Office of the Commissioner of Internal Revenue to collect taxes needed to fund the war effort. Although the original income tax was temporary, the federal income tax became permanent with the ratification of the 16th Amendment to the U.S. Constitution in 1913. The 16th Amendment granted Congress the authority to impose a federal income tax on individuals and businesses.

Over time, the agency evolved into what is now known as the Internal Revenue Service. Today it is one of the largest and most complex administrative agencies in the federal government because it manages the tax system for a country with hundreds of millions of taxpayers.

The IRS operates regional service centers, processing facilities, and offices across the United States. It also relies heavily on digital systems to process tax returns electronically. Electronic filing, often called e-filing, allows taxpayers to submit returns online rather than through paper forms. E-filing speeds up processing and reduces errors.

Despite its central role in government finance, the IRS often becomes a subject of political debate. Some critics argue that the tax code is overly complex and difficult for ordinary people to understand. Others debate how much authority the IRS should have in enforcing tax laws.

Supporters of the agency emphasize that effective tax collection is necessary for maintaining public infrastructure, national security, and social programs. Without a functioning tax collection system, the federal government would lack the financial resources needed to operate.

The IRS serves as the operational arm of the federal tax system. It translates tax laws written by Congress into practical procedures for collecting revenue, processing returns, enforcing compliance, and distributing certain financial benefits. Through these responsibilities, the agency plays a central role in the financial structure of the United States government.