

Assessment Solutions

Theme 2: Taxes in U.S. History
Lesson 7: Tax Reform in the 1990s and 2000s

Part 1

Match the descriptions to their correct term using the answer key and continue to Part 2.

Answer Key:

- A.** Nonrefundable credit
 - B.** Lifetime Learning credit
 - C.** Child and Dependent Care credit
 - D.** First-Time Homebuyer credit
 - E.** American Opportunity credit
 - F.** Making Work Pay credit
 - G.** Child tax credit
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- B** This nonrefundable education credit places no limits on how many years it can be used
 - D** This was intended to help families purchase a home in a tough housing market
 - G** This started as a \$400 credit per child under age 17 for qualified taxpayers
 - A** This prevents taxpayers from receiving a refund for excess credit
 - C** This helps offset qualified costs of childcare and dependent care
 - E** This refundable credit helps offset qualified expenses for the first four years of college
 - F** This credit was intended to encourage wage earners to spend more

Part 2

Answer True or False for the following statements.

1. The only people who benefit from a refundable tax credit are taxpayers who owe less in taxes than the amount of the credit due to them. **True**
2. There is no tax credit for expenses that occur after four years of college. **False**
3. Taxpayers who purchase their first home to be used as a rental property may qualify for the First-Time Homebuyer credit. **False**
4. The child tax credit is meant to offset most childcare expenses. **False**
5. Two examples of refundable credits are the First-Time Homebuyer credit and the Making Work Pay credit. **True**
6. A federal budget surplus occurs when the government's expenses surpass revenues. **False**