

Worksheet

Tax Reform in the 1990s and 2000s

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

Activity 1—Main Tax-Relief Measures 1990-2010

Describe the condition(s) that led to the following measures in the Act, and whether the purpose was to raise revenue, influence taxpayer behavior, and/or increase fairness:

Child Tax Credit

Condition(s):

Purpose(s):

Education Credit

Condition(s):

Purpose(s):

Economic Stimulus Tax Rebate

Condition(s):

Purpose(s):

Making Work Pay Credit

Condition(s):

Purpose(s):

First Time Homebuyer Credit

Condition(s):

Purpose(s):

Activity 2—Refundable and Nonrefundable Tax Credits

Key Terms

income taxes—Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

nonrefundable credit—when the amount of a credit is greater than the tax owed, taxpayers can only reduce their tax to zero; they cannot receive a “refund” for any excess nonrefundable credit.

refundable credit—when the amount of a credit is greater than the tax owed, taxpayers can receive a “refund” for some of the unused credit.

tax credit—A dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

Read each clue to the tax vocabulary and fill in the name of the corresponding credit(s).

The names of the education credits are

This kind of credit prevents taxpayers from receiving a refund for excess credit

Examples of refundable (or partially refundable) credits are

Examples of nonrefundable credits are

If Wilma applies the American Opportunity credit to her qualified college education expenses and the amount of the credit is more than the amount of tax she owes, can she receive a refund of some of the unused credit? Why or why not?

If Fred applies the Lifetime Learning credit to his trade school expenses and the amount of the credit is more than the amount of tax he owes, can he receive a refund of some of the unused credit? Why or why not?
