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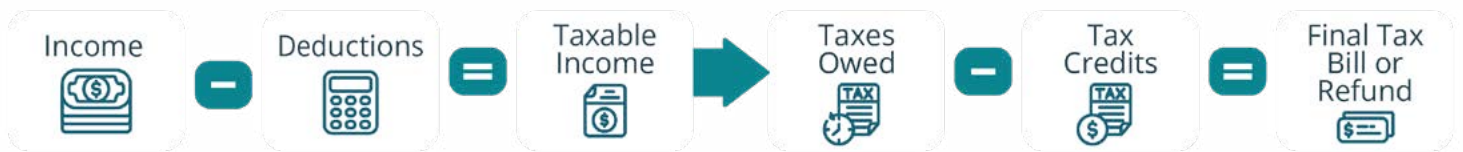
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INSTRUCTION

Tax Credits & Tax Deductions

What + Why: Same income, different tax bill? Learn how deductions and credits shape what people really owe—or get back.

When you earn money, taxes become part of managing your finances. Understanding how deductions and credits work helps you take ownership of how taxes affect your money and prepares you for real-life financial decisions.



Use this page to record key ideas during instruction.

1. How does a tax deduction affect taxes?
2. How does a tax credit affect taxes?
3. What is the difference between refundable and nonrefundable credits?

Key Terms:

- **tax deductions:** expenses or set amounts that reduce the income the government taxes individuals or businesses
- **standard deduction:** a set amount the Internal Revenue Service (IRS) subtracts from your income to lower your tax
- **itemized deduction:** specific expenses you list that lower your taxable income