

Name _____

Tax Refunds and Tax Liability: The Money Dance of Taxes!

Open-Ended Response Answer Key

1. If you earned \$50,000, had a tax liability of \$6,000, and already paid \$5,500 in taxes, you would owe an additional \$500 when you file your tax return. This is because your tax liability of \$6,000 exceeds the \$5,500 you've already paid.
2. Someone who receives a large tax refund could use the extra money to pay off debt, save for the future, invest, or make necessary purchases. They could also consider adjusting their withholdings to have more money available throughout the year.
3. Yes, tax liability can change from year to year. For example, if you get a higher-paying job or have more taxable income sources, your tax liability may increase. Conversely, if you have fewer income sources or qualify for more deductions and credits, your tax liability may decrease.
4. Reviewing withholdings is important to ensure you're not overpaying or underpaying taxes throughout the year. It helps avoid large refunds or unexpected tax bills. Additionally, changes in life circumstances, such as getting married or having a child, can impact the appropriate withholding amount.

