

Name \_\_\_\_\_

## Tax Deductions and Tax Credits: Your Path to Saving Money!

### Short Answer Key

1. Example: Donating money to a charity is a tax deduction. If you donated \$1,000 to a charity and earned \$50,000, you can deduct the \$1,000 from your income, so you're only taxed on \$49,000.
2. Tax deductions reduce taxable income, while tax credits directly reduce the tax you owe.
3. The Earned Income Tax Credit (EITC) is a refundable tax credit. It can benefit you by reducing your tax bill and even giving you a refund if the credit is more than the taxes you owe.
4. It's important to keep receipts and records because they provide proof of your eligible expenses when claiming deductions, helping you avoid issues with the tax authorities.
5. You can stay informed about changes in tax laws by reading tax publications, using tax software or apps, and consulting with tax professionals.

