Full-Year Course
9.2 Understanding Tax Savings
Student Activity Packet
UNIT: TAXES

Name:

Students will be able to:
- Determine when it's appropriate to use the standard deduction or to itemize deductions
- Explain the difference between tax credits and tax deductions
- Differentiate between tax avoidance and tax evasion

INTRO

QUESTION OF THE DAY: How many Americans receive a tax refund and what is the average dollar amount?
Answer the question on the first slide in the space below. Then, compare your answer to the answer on the second slide. Finally, follow your teacher's directions on how to answer the follow-up questions on the last slide.

1. **How many Americans receive a tax refund and what is the average dollar amount?**

LEARN IT

INFOGRAPHIC: Itemizing vs. Standard Deduction
ARTICLE: How Do You Decide Which Deduction to Claim?
Itemizing your deductions and claiming the standard deduction each lowers your taxable income, but you can only choose one of those methods. Take a look at the infographic and read the section of the article titled *How Do You Decide Which Deduction to Claim?* to learn what each method does and how to choose between them. Then, answer the questions.

1. **In your own words, explain why someone might choose to itemize their deductions instead of taking the standard deduction.**

2. **Imagine a taxpayer had $5,000 in charitable donations, $7,000 in mortgage interest, and paid $9,000 in state and local taxes. Would it be more beneficial for this taxpayer to itemize or take the standard deduction if they are single?**

3. **A married couple filing jointly has $15,000 in itemized deductions. Given the standard deduction amount, should they itemize or take the standard deduction? Explain your reasoning.**

VIDEO: Tax Deduction vs. Tax Credit

Another way to lower your tax bill is to use tax deductions and tax credits. Watch the video through 4:30 to learn how tax deductions and tax credits work. Then, answer the questions.

1. **Briefly explain the difference between tax deductions and tax credits.**

2. **Imagine you made $40,000 during the last tax year and you are in the process of filing your taxes. You have the option of a $1,000 tax credit and a $1,000 tax deduction, which would you choose and why?**

3. **A friend tells you that non-refundable tax credits are not worth taking because you can't get a refund. How would you respond to your friend to let them know you should still accept a non-refundable tax credit?**

VIDEO: Tax Avoidance vs. Tax Evasion

You've learned multiple strategies to save money when filing your taxes, all of which are completely legal. But there is an important difference between those things and other actions that would be considered tax evasion, which is illegal. Watch the video to learn about the difference. Then, answer the questions.

1. **Why is tax avoidance considered legal while tax evasion is illegal?**

2. **Imagine you have a full-time job. According to the video, what are some legal ways you could reduce your taxable income?**

3. **Suppose a friend tells you they're not reporting all their income to avoid paying taxes. What advice would you give them and why?**

DO IT

ACTIVITY: PLAY: Tax Sleuths

We've learned how beneficial it is to maximize your tax savings. Now let's put that into practice by demonstrating how to tell the difference between legal and illegal ways to lower your tax obligation. Follow the directions on the worksheet to complete this activity.

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.