

Tax Credits 101

A VISUAL GUIDE

WHAT ARE TAX CREDITS?

Money a business or individual can subtract, dollar-for-dollar, from owed income taxes.

INCENTIVIZED OPPORTUNITIES

Tax credits incentivize investment or provide assistance in:



HOW TAX CREDITS WORK



REFUNDABLE VS. NONREFUNDABLE

A "refundable tax credit" uniquely provides a refund (money back) if the tax credit amount is larger than the tax liability owed.

MOST TAX CREDITS ARE NONREFUNDABLE.

TAX CREDIT EXAMPLES

NONREFUNDABLE

- Electric Vehicle (EV) Tax Credits
- Solar Tax Credit
- Work Opportunity Tax Credit (WOTC)
- R&D Tax Credit
- Low-Income Housing Credit (LIHTC)
- New Markets Tax Credit
- FICA Tip Credit
- Disabled Access Credit
- Empowerment Zone Credit
- Energy Investment Tax Credit
- Renewable Electricity Production Tax Credit (PTC)
- Biodiesel and Renewable Diesel Fuels Credit
- Retirement Plan Startup Credit

REFUNDABLE

- Small Business Health Care Tax Credit
- Indian Employment Credit
- Historic Preservation Tax Credit
- Paid Leave Credit for Vaccines
- Employer Credit for Family and Medical Leave
- Paid Sick & Family Leave Credit
- Employer-Provided Child Care Tax Credit

PARTIALLY REFUNDABLE

- Employee Retention Credit
- American Opportunity Tax Credit
- Child Tax Credit
- Alternative Fuel Vehicle Refueling Property Credit

CALCULATION

TAX CREDIT VS. DEDUCTION

	TAX CREDIT OF \$10,000	TAX DEDUCTION OF \$10,000
TAXABLE INCOME	\$100,000	\$100,000 (-\$10,000 DEDUCTION)
CALCULATED TAX	15% OF \$100,000	15% OF \$90,000
TAX LIABILITY	\$15,000 (-\$10,000 CREDIT)	\$13,500
TOTAL TAX BILL	\$5,000	\$13,500

MORE SAVINGS WITH A TAX CREDIT VERSUS A TAX DEDUCTION OF THE SAME AMOUNT!



WHEN TO CONSIDER TAX CREDITS?

