

Key Tax Terms

Withholding- When the government takes money out of your paycheck to pay your taxes. You can control how much the government takes with a W-4 form. (See the handout “Filling Out Your W-4.”)

Tax Deduction- Money that the government takes away from what it counts as your income, or the amount of money you earned that the government taxes. You can get deductions for lots of things, but important deductions are for child and dependent care expenses (see handout “Tax Help for People with Children”) and Student Loans and Tuition (see handout “Education Tax Help”).

Tax Credit- Money that the government takes away from the amount of taxes you have to pay, based on your income.

Exemption- On your W-4 form, the form the government uses to figure out how much money to take out of your paycheck, you can reduce the amount of taxes that are taken out by claiming exemptions for people that you care for, or if you are married. For more information about how to do this, see the handout “Filling Out Your W-4.”

Allowance- On your W-4 form, the form the government uses to figure out how much money to take out of your paycheck, you can also reduce the amount of taxes that are taken out if you plan to get certain credits, like the Earned Income Tax Credit (EITC). For more information, see the handout “Filling Out Your W-4.”

Schedule- A term the government uses for extra forms that you attach to the main 1040 form to get special tax benefits like the Earned Income Tax Credit (EITC).

Itemize- If you have a lot of deductions, you need to itemize, or list them. People who want to do this usually have big expenses on travel, medical care or charity.

File- Government term for turning in your taxes.

Dependent- Someone (like a child or an elderly parent) who depends on you for more than half of their financial support. You can use your dependents to reduce what you owe the government in taxes.

Refund- Money that you get back from the government because it took too much tax out of your paycheck based on your family and income. You can also get refunds for certain tax credits like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

IRS- The Internal Revenue Service, an office of the government that is given the responsibility for collecting taxes.