AMERICAN GOAL

"Turn federal taxes into educational opportunity."

# Tax Credit Basics

By contributing to American GOAL, taxpayers can redirect a portion of their federal income tax liability to help expand educational opportunities for students. The information below explains the basics of the credit and how it may apply to you.

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### How much can I contribute for a federal tax credit through American GOAL?

Individual taxpayers may receive a federal income tax credit of up to $1,700 annually for contributions to eligible SGOs, while married couples filing jointly may receive a combined credit of up to $3,400.

2

### How does a tax credit differ from a deduction?

A tax deduction lowers your taxable income. A tax credit lowers your actual tax bill dollar-for-dollar. For example:

- A $1,700 deduction might save you a few hundred dollars in taxes, depending on your tax bracket and whether you itemize deductions.
- A $1,700 tax credit saves you the full $1,700.

3

### How can I determine what my federal income tax liability is and whether I am able to contribute the full amount?

One of the best ways of estimating your tax liability for the current year is to look at what your federal tax liability was last year. If you look at last year's tax return (Form 1040), you will see your total federal income tax on line 22 of page 2. This will give you a good idea of what your tax liability may be for this year, assuming your income level and other situations are similar.

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### I usually receive a federal tax refund. What happens if I donate to American GOAL?

For taxpayers who contribute to American GOAL and their income tax liability is at least as much as their American GOAL contribution, their federal refund will increase by the amount of their contribution. Additionally, if someone typically owes federal tax come tax time and contributes for an American GOAL tax credit, the amount owed would be less the amount of the contribution.

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### What if my federal income tax liability is less than the amount I contributed to American GOAL? Do I lose that money?

No, you do not lose the money. The tax credit will apply toward your taxes for up to five future years.