# **Examples of Tax Expenditures**

#### **Credit**

Reduces tax liability dollar-for-dollar. Some credits are refundable, meaning that a credit in excess of tax liability results in a cash refund.

**Example**: Taxpayers with children under age 13 may receive a credit for a percentage of childcare expenses.



### **Deduction**

Reduces gross income due to expenses taxpayers incur.

<u>Example</u>: Taxpayers may be able to deduct a percentage of the costs they incur for wildfire mitigation.



#### **Income Definition**

Excludes income that would constitute part of a taxpayer's gross income.

<u>Example</u>: Employees do not pay taxes on contributions employers make to medical savings accounts.



## **Exemption**

Reduces gross income for taxpayers because of their status or circumstances.

**Example**: Alcoholic beverages produced for personal consumption are exempt from sales and use taxes.



#### **Tax Rate**

Reduces tax rates on some forms of income.

<u>Example</u>: Insurance companies with an office in Colorado may be eligible for lower insurance tax rates.

