

Tax Credit Specialist Certification Practice Test Questions and Answers

1. What is the primary purpose of tax credits in the tax system?

- A) To increase overall tax liability
- B) To reduce tax liability dollar-for-dollar and incentivize specific behaviors or investments
- C) To complicate tax preparation
- D) To eliminate all taxes

2. Which is the most important consideration when determining tax credit eligibility?

- A) Client's personal preferences
- B) Specific legal requirements, income limits, and qualifying criteria for each credit
- C) The size of the potential credit
- D) The complexity of the paperwork

3. How should a tax credit specialist handle documentation for client claims?

- A) Documentation is unnecessary
- B) Maintain comprehensive records supporting all credit claims and eligibility requirements
- C) Keep minimal records
- D) Let clients handle all documentation

4. What is the difference between refundable and non-refundable tax credits?

- A) There is no difference
- B) Refundable credits can result in refunds exceeding taxes owed; non-refundable credits cannot
- C) Non-refundable credits are more valuable
- D) Refundable credits expire annually

Answers: 1-B 2-B 3-B 4-B

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