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## Tax Credit Overview

A tax credit reduces the amount of tax for which you are liable. Unlike a deduction, which reduces the amount of income subject to tax, a tax credit directly reduces your tax liability.

A tax credit is usually more valuable than a tax deduction of the same dollar amount. There are two categories of tax credits:

- Refundable credits
- Non-refundable credits

### Non-Refundable Tax Credits

Most, but not all, tax credits are referred to as non-refundable credits. A non-refundable credit is a tax credit that can reduce your tax liability to zero(0), but not below. You must have tax liability on line 46 of Form 1040, line 18 of Form 1040A, or line 43 of Form 1040NR to claim a non-refundable tax credit.

Non-refundable tax credits include:

- [Child & Dependent Care Credit](#)
- [Education Credits](#)
- [Credit for the Elderly or Disabled](#)
- [Child Tax Credit](#)
- [Adoption Credit](#)
- [Foreign Tax Credit](#)
- [Residential Energy Credit](#)
- [Retirement Savings Contribution Credit](#)

### Refundable Tax Credits

A refundable tax credit is a tax credit that can reduce your tax liability below zero(0). Because it is possible to receive a refund based on these types of credits, the credits are referred to as refundable.

Refundable tax credits include:

- [Earned Income Credit](#)
- [Excess Social Security Credit](#)
- [Additional Child Tax Credit](#)
- [Health Coverage Tax Credit](#)