

# Teacher Lesson Plan

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Theme 2: Taxes in U.S. History  
Lesson 7: Tax Reform in the 1990s and 2000s

## **Educational Standards**

State and National Standards

## **Time Frame**

Two to three hours

## **Curriculum Area(s)**

- History/Social Studies
- Civics/Government
- Economics
- Technology

## **Purpose**

To help students understand three important acts of tax legislation from 1990–2009 that were aimed at reducing the tax burden on individual taxpayers.

## **Objectives**

Students will be able to:

- Explain the conditions that led to the tax cutting measures from 1990–2009
- Describe the key components of:
  - Taxpayer Relief Act of 1997
  - Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001
  - American Recovery Act of 2009

## **Background**

Three important acts of tax legislation from 1990–2009 were aimed at reducing the tax burden on individual taxpayers.

### ***Taxpayer Relief Act of 1997***

In 1997, with the economy fairly strong, President Clinton and Congress enacted the Taxpayer Relief Act. The key components of the Act were intended to reduce taxes for low- to middle-income taxpayers.

The Act introduced a \$400 child tax credit for each child under age 17 and the credit was increased to \$500 in 1999. The purpose of the child tax credit was to reduce the tax burden of families raising dependent children.

In addition, two new tax credits were available for higher education expenses. The Hope credit provided a credit of up to \$1,500 for each of the first two years of college. The Lifetime Learning

credit allowed taxpayers to claim up to \$2,000 based on qualified tuition and related expenses for all eligible students enrolled in eligible educational institutions.

### ***EGTRRA of 2001 and JGTRRA of 2003***

In 2001, the economy was struggling and the federal **surplus** was starting to turn into a **deficit**. Hoping that further tax cuts would put more spending and investment money in taxpayers' pockets, President Bush and Congress passed the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). EGTRRA increased the child tax credit, introduced the Child and Dependent Care credit, and expanded the education credit and deduction. In addition, it provided a tax rebate of between \$300 and \$600.

### ***American Recovery Act of 2009***

In September of 2008, the United States experienced a severe economic downturn. In response, Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA or Recovery Act). The purpose of ARRA was to create and save jobs, jumpstart the economy, and build the foundation for long-term economic growth. To put more money in the pockets of consumers, ARRA also:

- Increased the First-Time Homebuyer credit
- Created the **refundable** Making Work Pay credit
- Revised the tax withholding tables so that taxpayers can see an immediate tax benefit in their paychecks
- Replaced the Hope credit with the refundable American Opportunity Tax credit

## **Key Terms**

**deficit**—The result of the government taking in less money than it spends.

**income taxes**—Taxes on income, both earned (salaries, wages, tips, commissions) and unearned (interest, dividends). Income taxes can be levied on both individuals (personal income taxes) and businesses (business and corporate income taxes).

**nonrefundable credit**—When the amount of a credit is greater than the tax owed, taxpayers can only reduce their tax to zero; they cannot receive a "refund" for any excess nonrefundable credit.

**refundable credit**—When the amount of a credit is greater than the tax owed, taxpayers can receive a "refund" for some of the unused credit.

**surplus**—The result of the government taking in more money than it spends.

**tax credit**—A dollar-for-dollar reduction in the tax. Can be deducted directly from taxes owed.

## **Opening the Lesson**

Share the Background information to explain the reasoning behind the key provisions of the Taxpayer Relief Act of 1997.

## **Developing the Lesson**

Distribute Info Sheet 1—Main Measures of Tax Relief Acts to discuss the tax reform provisions in more detail. Verify students' understanding of the key terms.

### ***Online Activities***

Direct students to **Student Lesson**—Tax Reform in the 1990s and 2000s.

Have students complete one or more of the following activities:

- **Activity 1: Refundable and NonRefundable Tax Credits**—Match the clue to the type of credit.
- **Activity 2: Components of the Tax Relief Measures**—Explore the provisions of the tax relief measures.
- **Activity 3: How to Stimulate the Economy**—Take a virtual field trip to learn more about the American Recovery Act.
- **Activity 4: Economic Timeline of Events 1990–2010**—Match the event to the year it occurred.

### ***Print Activity***

Print Worksheet: Tax Reform in the 1990s and 2000s and distribute it to students.

Worksheet Solutions: Tax Reform in the 1990s and 2000s.

### ***Classroom Activity***

Ask students to review Info Sheet 2: Economic Conditions 1977–2002 and Info Sheet 3: Timeline of Economic Events and Tax Measures 1990–2010. Prompt students to describe their impressions of how the United States economy changed during the 1990s and 2000s.

Ask students for examples of events that have affected the economy and the federal deficit since 2000. They may refer to:

- 9/11 and subsequent increase in defense and security spending
- Disaster relief for Hurricane Katrina and other natural disasters
- Stock market ("dot-com") boom and bust
- Collapse of housing bubble (crash in housing prices)
- National and global economic crisis
- Increased unemployment
- Decreased revenue for federal, state, and local governments

Review Info Sheet 2: descriptions of contrasting views on how to create more jobs and lower the federal deficit. Engage students in a debate about the merits and flaws of each approach in a troubled economy.

Ask students to compare attitudes of recent years with FDR years. Students might suggest that, during the 1930s and 1940s, more people welcomed the government's role as rescuer—the source of new jobs and hope. The President and Congress were able to expand government programs to build a new national infrastructure, including interstate highways, parks, dams, etc., which increased the national employment rate and stimulated the economy.

Refer to Theme 2, Lesson 5 Info Sheet 1: Taxes in the 1930s and 1940s: Problems and Solutions.

## Concluding the Lesson

Ask students to summarize the key components of the Taxpayer Relief Act, EGTRRA, JGTRRA, and the American Recovery Act.

### Online Assessment

Direct students to complete [Assessment: Tax Reform in the 1990s and 2000s](#) for this lesson.

[Assessment Solutions: Tax Reform in the 1990s and 2000s](#)

### Print Assessment

Print [Assessment: Tax Reform in the 1990s and 2000s](#) and have students complete it on paper.

[Assessment Solutions: Tax Reform in the 1990s and 2000s](#)

## Materials

### Online

[Student Lesson— Tax Reform in the 1990s and 2000s](#)

[Activity 1: Refundable and Non-Refundable Tax Credits](#)

[Activity 2: Components of the Tax Relief Measures](#)

[Activity 3: How to Stimulate the Economy](#)

[Activity 4: Economic Timeline of Events 1990-2010.](#)

[Assessment— Tax Reform in the 1990s and 2000s](#)

[Assessment Solutions— Tax Reform in the 1990s and 2000](#)

### Print (PDF)

[Teacher Lesson Plan](#)

[Info Sheet 1—Main Measures of Tax Relief Acts](#)

[Info Sheet 2—Economic Conditions 1977-2002](#)

[Info Sheet 3—Timeline of Economic Events and Tax Measures 1990-2010](#)

[Worksheet— Tax Reform in the 1990s and 2000s](#)

[Worksheet Solutions— Tax Reform in the 1990s and 2000s](#)

[Assessment— Tax Reform in the 1990s and 2000s](#)

[Assessment Solutions— Tax Reform in the 1990s and 2000s](#)

[Complete Lesson Pack](#)

### Web Links

The following IRS.gov links provide more information about the implementation of the tax provisions.

Child Tax Credit <http://www.irs.gov/publications/p972/ar02.html>

Education Credit <http://www.irs.gov/publications/p970/ch02.html>

Education Credit <http://www.irs.gov/publications/p970/ch03.html>

First-Time Homebuyer credit <http://www.irs.gov/uac/First-Time-Homebuyer-Credit-1>

Making Work Pay <http://www.irs.gov/uac/The-Making-Work-Pay-Tax-Credit>

American Recovery Act Info center <http://www.irs.gov/uac/The-American-Recovery-and-Reinvestment-Act-of-2009:-Information-Center>

The following White House link discusses the American Recovery Act

<http://www.whitehouse.gov/recovery>

Bureau of Labor Statistics <http://data.bls.gov/cgi-bin/surveymost?ce>

Joint Chiefs of Staff (JCS) Pubs by year

<http://www.jct.gov/publications.html?func=select&id=6>

Joint Committee on Taxation (JCT) 1997

<http://www.jct.gov/publications.html?func=startdown&id=2099>

JCT EGTRRA 2001 Summary Description

<http://www.jct.gov/publications.html?func=startdown&id=2003>

JCT JGTRRA 2003 Proposal

<http://www.jct.gov/publications.html?func=startdown&id=2130>

Description <http://www.jct.gov/publications.html?func=startdown&id=1759>

JCT American Recovery Act 2009

<http://www.jct.gov/publications.html?func=startdown&id=1239>

NASDAQ Timeline graph <http://timelines.com/topics/nasdaq>

Tax Policy Center <http://www.taxpolicycenter.org/legislation/allyears.cfm>

UNOFFICIAL REFS: [http://en.wikipedia.org/wiki/Late-2000s\\_recession](http://en.wikipedia.org/wiki/Late-2000s_recession)

[http://en.wikipedia.org/wiki/Late-2000s\\_financial\\_crisis](http://en.wikipedia.org/wiki/Late-2000s_financial_crisis)