

Strategic Tax Planning Scenario Worksheet

This worksheet presents a multi-year tax planning scenario that requires strategic decisions about deductions, credits, and timing to minimize overall tax liability. Your goal is to develop a comprehensive strategy that optimizes tax benefits across the entire period.

Strategic Tax Planning Challenge: In this exercise, you'll analyze a 3-year financial scenario for the Marti family. Your goal is to create a tax strategy that minimizes their overall tax liability by making strategic decisions about when to take certain deductions, which credits to claim, and how to time discretionary expenses.

The Martinez Family - 3-Year Tax Planning Scenario

Family Profile:

- Carlos (35) and Elena (34) Martinez, married filing jointly
- One child, Sofia (16), qualifying dependent
- Currently live in an apartment, planning to buy a home in Year 2
- Carlos works as a project manager; Elena is starting a graphic design business
- Sofia will start college in Year 3

Financial Details	Year 1	Year 2	Year 3
Income	\$95,000 (Carlos: \$95,000)	\$110,000 (Carlos: \$98,000, Elena: \$12,000)	\$135,000 (Carlos: \$105,000, Elena: \$30,000)
Potential Itemized Deductions	<ul style="list-style-type: none">• Charitable donations: \$2,000• State/local taxes: \$5,000	<ul style="list-style-type: none">• Mortgage interest: \$12,000• Charitable donations: \$2,000• State/local taxes: \$8,500• Property taxes: \$3,500	<ul style="list-style-type: none">• Mortgage interest: \$11,500• Charitable donations: \$2,000• State/local taxes: \$10,000 (cap)• Property taxes: \$3,800• Medical expenses: \$12,000
Potential Tax Credits	<ul style="list-style-type: none">• Child Tax Credit: \$2,000• Saver's Credit (eligible)	<ul style="list-style-type: none">• Child Tax Credit: \$2,000• Energy-efficient home improvements: \$3,000• Saver's Credit (eligible)	<ul style="list-style-type: none">• American Opportunity Credit: \$2,500• Saver's Credit (eligible)• Self-employment health insurance: \$5,000
Strategic Flexibility	<ul style="list-style-type: none">• Can make retirement contributions up to \$6,000 each• Can adjust charitable giving timing• Can prepay state/local taxes for next year	<ul style="list-style-type: none">• Home purchase timing (early or late in year)• Timing of energy-efficient improvements• Business startup expense timing	<ul style="list-style-type: none">• Timing of college expenses• Medical procedure timing (planned surge)• Business expansion decisions

Standard Deduction (2023): \$27,700 for married filing jointly

Analysis and Strategy Development

Year 1 Strategy

Analyze Year 1 financial situation and identify key tax decisions.

Standard vs. Itemized Decision:

Credit Optimization Strategy:

Income/Expense Timing Strategy:

Year 1 Projected Tax Liability (with your strategy):

Year 2 Strategy

Analyze Year 2 financial situation and identify key tax decisions.

Standard vs. Itemized Decision:

Credit Optimization Strategy:

Home Purchase Timing Strategy:

Year 2 Projected Tax Liability (with your strategy):

Year 3 Strategy

Analyze Year 3 financial situation and identify key tax decisions.

Standard vs. Itemized Decision:

Credit Optimization Strategy:

Medical Expense Strategy:

College Expense Strategy:

Year 3 Projected Tax Liability (with your strategy):

Key Decision Points

Identify the most critical decision points across the three-year period.

Decision Point 1:

Decision Point 2:

Decision Point 3:

Multi-Year Strategy Summary

Provide a comprehensive summary of your three-year tax optimization strategy.

Projected Total Tax Savings

Estimate the total tax savings from your strategic plan compared to non-strategic tax filing.

Strategic Principles Identified

Based on your analysis, identify 3-5 key tax planning principles that could apply to other situations.

Note: This worksheet is for educational purposes only and does not constitute tax advice. Tax laws and amounts change regularly. For specific tax advice, consult a qualified tax professional.

PFL Academy - Chapter 2.4: Understanding Tax Deductions and Credits