

Tax Deduction vs. Tax Credit Comparison Chart

This worksheet will help you understand the key differences between tax deductions and tax credits through definitions, examples, and calculated scenarios.

Part 1: Understanding the Differences

Aspect	Tax Deduction	Tax Credit
Definition		
How it works		
Types		
Value varies based on		
Common examples		
Best for		

Part 2: Calculating the Impact

Scenario 1: Comparing Dollar Value

Jamie is in the 22% tax bracket. Which would save Jamie more money: a \$1,000 tax deduction or a \$200 tax credit?

\$1,000 Tax Deduction Value:

\$200 Tax Credit Value:

Which saves more money and why?

Scenario 2: Education Expenses

Alex is in the 12% tax bracket and qualifies for either a \$2,500 deduction for student loan interest or a partially refundable \$1,500 tax credit for education expenses. Alex's tax liability before either benefit is \$1,800. Which option would be more beneficial?

\$2,500 Student Loan Interest Deduction Value:

\$1,500 Education Credit Value:

Which option is better for Alex and why?

Part 3: Key Principles

Based on your analysis, develop three key principles for deciding between deductions and credits when both options are available:

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