

Tax Breaks Extended for Teachers

Educators Deduction-set to expire 12/31/03, this provision has been extended until 12/31/05

The deduction is available to eligible educators in public or private elementary or secondary schools. To be eligible, a person must work at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide.

An educator may subtract up to \$250 of qualified out-of-pocket expenses when figuring adjusted gross income (AGI). This deduction is available whether or not the taxpayer itemizes deductions on Schedule A.

The IRS suggests that educators keep records of qualifying expenses in a folder or envelope with a label such as "Educator Expense Deduction," noting the date, amount and purpose of each purchase. This will help prevent a missed deduction at tax time.

A TP is an eligible educator if, for the tax year, they meet the following requirements:

- TP is a kindergarten through grade 12;

- Teacher

- Instructor

- Counselor

- Principal, or

- Aide

- TP works at least 900 hours a school year in a school that provides elementary or secondary education, as determined under state law.

Qualified expenses are unreimbursed expenses [otherwise deductible trade or business expenses] you paid or incurred for books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom. For courses in health and physical education, expenses for supplies are qualified expenses only if they are related to athletics.

To be deductible, the qualified expenses must be more than the following amounts for the tax year:

-The interest on qualified U.S. savings bonds that you excluded from income because you paid qualified higher education expenses,

-Any distribution from a qualified tuition program that you excluded from income, or

-Any tax-free withdrawals from your Coverdell Education Savings Account.

For more information regarding your personal income tax and how these credits and deductions may benefit you, give AJE Financial Services a call today!