

Educator Expenses

Concern: The deduction for educator expenses was extended through 2011 as a result of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. VITA/TCE Volunteers need to be able to correctly complete tax returns with qualified educator expenses.

Procedure: An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in school for at least 900 hours during the school year. These taxpayers can deduct up to \$250 of out-of-pocket expenses on line 23 of Form 1040 (up to \$500, if married filing joint and both spouses are educators). Qualified expenses include ordinary and necessary amounts paid for books, supplies, equipment (including computer equipment, software and services), and other materials used in the classroom. Expenses for home schooling, nonathletic supplies for physical education and health courses do not qualify for this deduction. An ordinary expense is one that is common and accepted in the taxpayer's educational field. A necessary expense is one that is helpful and appropriate for the taxpayer's profession as an educator. An expense does not have to be required to be considered necessary.

Part IV Expenses of Form 13614-C allows taxpayers to indicate whether they have expenses which may be allowed on their tax return. Question 4 asks about unreimbursed employee business expenses (such as mileage) should be answered yes for every qualifying educator. Volunteers should also question anyone who indicates they are educators as to whether they had any eligible expenses that may be taken as an educator expense.

Amounts that cannot be deducted as an adjustment to income (AGI) can be deducted as unreimbursed employee business expenses subject to the 2% of AGI limit which is on Schedule A, Itemized Deductions.

Confirm (by accepting oral testimony, when appropriate) the taxpayer(s):

- Is a qualifying educator for grades K-12
- Has at least 900 hours working in the school during the school year,
- Has qualified **unreimbursed** classroom expenses

These expenses are reduced by any:

- Reimbursements not listed on Form W-2
- Interest on qualified U.S. savings bonds that were excluded from income because they were used to pay for qualified higher education expenses
- Any distributions from a qualified tuition program that was excluded from income (Payments from a Qualified Tuition Program)
- Any tax-free withdrawals from a Coverdell Education Savings Account

For more information, refer to:

- www.irs.gov using "educator expenses" in the search box
- Publication 529, *Miscellaneous Deductions* (pages 4-5)
- The VITA hotline at 1-800-829-8482

If you have any questions, please discuss them with your site coordinator, contact your local IRS SPEC relationship manager, or e-mail partner@irs.gov.

Thank you for volunteering to serve your community and for your dedication to providing top QUALITY service!