

Inform Your Members About Educator Expense Deduction

I would like to inform you of one of the tax law changes for individual tax payers that may affect our members in their roles as “eligible educators.”

If you were an eligible educator in 2006, you can deduct up to \$250 of qualified expenses you paid in 2006 as an adjustment to gross income, rather than as a miscellaneous itemized deduction. This provision, which had expired for tax years after 2005, has been extended through tax year 2007. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse can deduct more than \$250 of his or her qualified expenses.

Eligible Educator - An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.

Qualified Expenses - Qualified expenses include ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom. An ordinary expense is one that is common and accepted in your educational field. A necessary expense is one that is helpful and appropriate for your profession as an educator. An expense does not have to be required to be considered necessary.

Qualified expenses do not include expenses for home schooling or non-athletic supplies for courses in health or physical education.

You must reduce your qualified expenses by the following amounts:

- Excludable U.S. series EE and I savings bond interest from Form 8815
- Nontaxable qualified tuition program earnings
- Nontaxable earnings from Coverdell education savings accounts
- Any reimbursements you received for these expenses that were not reported to you in box 1 of your Form W-2

How the deduction is claimed. You must file IRS Form 1040 (or Form 1040NR) to take this deduction. The deduction is claimed on Form 1040, line 23 (or Form 1040NR, line 24), “Archer MSA Deduction.” Enter “E” on the dotted line to the left of that line entry if claiming educator expenses, or “B” if claiming both an Archer MSA deduction and the deduction for educator expenses. If entering “B,” you must attach a statement with a breakdown of the amount claimed for each deduction.

I have included the following links from the IRS website:

Tax Law Changes for Individuals:

<http://www.irs.gov/formspubs/article/0,,id=109876,00.html>

Educator Expense Deductions:

http://www.irs.gov/formspubs/article/0,,id=109876,00.html#educator_2006