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Accounting • Bookkeeping • Taxes

Educator Expenses

If you are an educator, you may be able to deduct up to \$250 of expenses you paid for purchases of books and classroom supplies, even if you don't itemize your deductions, according to the IRS. These out-of-pocket expenses may lower your tax bill.

The Working Families Tax Relief Act of 2004 reinstated the educator expense deduction, which had expired at the end of 2003, for both 2004 and 2005. Expenses incurred any time in 2004 may qualify for the deduction, not just those since the Act was signed on Oct. 4.

The deduction is available if you are an eligible educator in a public or private elementary or secondary school. To be eligible, you must work at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide.

You may subtract up to \$250 of qualified expenses when figuring your adjusted gross income. Qualified expenses are unreimbursed 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.