

## Are You Missing Out on These Educator Tax Deductions?

**Read this before you file your tax return. We'll help you claim your educator deductions so you can get back as much money as possible.**

Legislation passed late in 2015 ended the annual ritual of “tax extenders” that kept everyone on tenterhooks regarding certain educator tax benefits. But now the tax reform bill passed in late December 2017 has muddied the picture.

Keep in mind the new tax reform only kicks in for 2018 and does not apply to your 2017 tax returns. The good news is that it does keep the \$250 above-the-line deduction for classroom supplies. However, the tuition and fees deduction expired at the end of 2016 and was not renewed retroactively for 2017 or for future tax years.

The NEA and its members pushed legislators for many years to make the extension permanent, and following the outcry after the House’s original proposal called for the elimination of the deduction, the bill that ultimately passed left the above-the-line \$250 classroom supplies deduction intact.

The \$250 deduction is particularly advantageous because it is an above-the-line deduction on Schedule A, which means you don’t have to itemize to take it and it reduces your overall adjusted gross income (AGI). This will become even more important under the new tax reform because it virtually doubles the standard deduction, setting the threshold even higher for choosing to itemize. The 2015 legislation indexed the amount to inflation—though it is unchanged at \$250 for 2017—and allows professional development expenses to be included in the deduction.

Educators may also still benefit from the state and local sales tax deduction (an alternative for states with no state income tax to deduct from federal taxes) even though those breaks don’t target them specifically. However, you must itemize in order to claim these deductions. For the 2017 tax year, the deduction can be unlimited and the standard deduction remains at the lower threshold. For 2018 and beyond, the deduction for state and local taxes, including property taxes, will be capped at \$10,000 and the threshold for itemizing will be much higher with the increased standard deduction.

Many provisions of the tax code have income caps and phase-outs and other wrinkles that may affect your actual tax liability. Be sure to work with a tax advisor or reliable tax software that clearly addresses your situation, especially if you are in the higher income brackets. And keeping receipts or a careful log is critical for the classroom supplies deduction and other tax benefits.

Other situations faced by educators preparing their taxes include:

**Income from outside work, such as a summer job or tutoring**

If there is no additional withholding on this outside work, you want to be sure to avoid a penalty for under-withholding—i.e., when your overall tax liability exceeds the amount of tax you had withheld by certain margins.

If this is the first year you have had extra income, there won't be any penalty, because your withholding at work will cover 100% of your previous year's income. If you regularly have extra income, your best option is to specify a certain additional amount on your W-4 to be withheld. (Previously, it was possible to adjust your withholding by reducing the number of personal exemptions but these have now been removed in the tax reform.) The other remaining option is make quarterly payments of estimated tax on the additional income.

The outside income should be reported on a Schedule C, where you can also deduct any expenses associated with the outside job. You are also liable for "payroll" taxes (these are the contributions to Social Security and Medicare) on the extra income, which is calculated on a Schedule SE.

### **Other unreimbursed employment expenses**

You can deduct expenses for classroom supplies beyond \$250 as unreimbursed employment expenses, which are defined as expenses that help you conduct your job even if they are not required.

However, these additional deductions are subject to the 2% limit on itemized deductions—this means you can only deduct the amount that exceeds 2% of your AGI.

If your AGI is \$50,000, for instance, you could only deduct expenses that exceed \$1,000, even if you are already itemizing deductions for mortgage interest or other reasons. This is a hard threshold to meet and will be even harder to justify when the new higher standard deduction discourages itemizing.

The same applies for expenses such as dues to unions and professional associations or subscriptions to publications.

Rules for deducting expenses for a home office are fairly strict (as well as for equipment such as computers). The home office space must be used exclusively for work purposes, which is a tough criterion.

### **Continuing education**

Congress failed to renew the deduction and fees for college tuition for 2017, eliminating one of the options for a tax break if you take courses that you pay for yourself, whether or not they are required for certification. The remaining option, which is a permanent part of the tax code, is the Lifetime Learning Credit for 20% of education expenses up to \$2,000. This is a credit, so it is taken off your tax liability dollar for dollar. However, it is nonrefundable, which means you have to have some tax liability for it to count against.

*\* NOTE: All of the information in this article is accurate as of January 1, 2018. (Courtesy NEA MemberBenefits)*