

Tax Deductions for Continuing Your Education

More individuals in their 30s and 40s are going to college in order to improve their job skills, to qualify for promotions and raises, or just to enjoy learning.

At the same time these older students are choosing to acquire more education, however, the tax laws have made it more difficult for them to get a deduction for the expenses of education.

First of all, you must itemize deductions on your tax return, rather than take the standard deduction. Itemizing deductions has become more difficult because the standard deduction has risen. You can itemize only if the total of your deductible expenses is greater than the standard deduction. Second, you can deduct only those qualified educational and other "miscellaneous" expenses that exceed 2% of your adjusted gross income (AGI). Miscellaneous expenses include the cost of looking for a new job, unreimbursed business outlays, and so forth. (Your AGI is your income excluding any tax-free income, minus outlays such as contributions to retirement plans.) Deducting expenses for education, however, is not out of the question.

The rules state that you can deduct these expenses if the schooling enables you to keep your job and salary, or maintains or improves the skills you need in your job. There is no deduction, however, if the schooling helps you switch careers. While the Internal Revenue Service provides incentives for you to become more competent at your current occupation, it will not assist you financially to qualify for a totally new job.

Your deductions must be for courses at an educational institution that has a regularly enrolled student body and maintains a regular faculty and curriculum. The schooling must be linked with your "carrying on a trade or business" in which you are already active, and must be closely related to current job skills. For instance, an accountant can "write off" courses that explain the new tax rules, and a professional pianist can write off music lessons.

Educational expenses that qualify an individual for a promotion may also be allowed. The general rule is that if an individual changes duties, it is not a career change, so long as that individual remains in the same line of work.

As always, keep proper records to support your deductions in case you are audited. You should consult your tax professional for more information.

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