

IRS Reminds Students of “Tax-Advantaged Education Expenses”

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On September 11th, the IRS news release “Back-to-School Tax Breaks Help Teachers Pay Classroom Costs; Aid Parents, Students With College Tuition” stressed the importance of saving receipts and maintaining expense records to take full advantage of deductions on educational expenses and credits available on federal income tax returns for 2007.

IRS Acting Commissioner Linda Stiff stated, “The start of the school year is a good time to remind parents, students, and teachers to save all receipts related to tax-advantaged education expenses.” She further added that good recordkeeping makes sense because it can help avoid missing a deduction or credit come tax time.

The deductions related to educator expenses allow educators, including teachers, to deduct the costs of books, supplies, equipment, and software used in classrooms. Educators working 900 or more hours per school year in public or private elementary or secondary schools are eligible for these tax breaks.

For post-secondary education, three vital tax breaks are available to help parents and students. These are:

- tuition and fees deductions
- Hope credits
- lifetime-learning credits

While Hope and lifetime-learning credits will still exist, tuition and fees deductions will expire this year. Records show that in the 2005 tax year alone, taxpayers claimed tuition and fees deductions totaling almost \$11 billion and education credits totaling nearly \$6.2 billion.

In the case of college education, a taxpayer can claim deductions on any enrollment fees or tuition fees paid for his or her dependant’s or own education. However, both education credit and tuition and fees deductions cannot be claimed at the same time for the same student.

The IRS news release mentioned that the new Form 8917 needs to be used to claim tuition and fees deductions for 2007, while education credits will be claimed on Form 8863.

There are several special rules and income limits that apply to each of these tax breaks. IRS Publication 970, “Tax Benefits for Education,” helps people understand these special rules and provisions regarding eligibility for education-related tax breaks. Other education-related benefits such as 529 plans, student loan interest deductions, Coverdell education savings accounts, and the education savings bond program are also explained in the publication.