

Abstract: When teachers are setting up their classrooms for the new school year, it's common for them to pay for a portion of their classroom supplies out of pocket. A special tax break allows these educators to deduct some of their expenses. This article explains how the educator expense deduction has changed under the Tax Cuts and Jobs Act.

Know a teacher? Tell 'em about this tax break!

When teachers are setting up their classrooms for the new school year, it's common for them to pay for a portion of their classroom supplies out of pocket. A special tax break allows these educators to deduct some of their expenses. This educator expense deduction is especially important now due to some changes under the Tax Cuts and Jobs Act (TCJA).

Old school

Before 2018, employee business expenses were potentially deductible if they were unreimbursed by the employer and ordinary and necessary to the "business" of being an employee. A teacher's out-of-pocket classroom expenses could qualify.

But these expenses had to be claimed as a miscellaneous itemized deduction and were subject to a 2% of adjusted gross income (AGI) floor. This meant employees, including teachers, could enjoy a tax benefit only if they itemized deductions (rather than taking the standard deduction) and only to the extent that all their deductions subject to the floor, combined, exceeded 2% of their AGI.

Now, for 2018 through 2025, the TCJA has suspended miscellaneous itemized deductions subject to the 2% of AGI floor. Fortunately, qualifying educators can still deduct some of their unreimbursed out-of-pocket classroom costs under the educator expense deduction.

New school

Back in 2002, Congress created the above-the-line educator expense deduction because, for many teachers, the 2% of AGI threshold for the miscellaneous itemized deduction was difficult to meet. An above-the-line deduction is one that's subtracted from your gross income to determine your AGI.

You don't have to itemize to claim an above-the-line deduction. This is especially significant with the TCJA's near doubling of the standard deduction, which means fewer taxpayers will benefit from itemizing.

Qualifying elementary and secondary school teachers and other eligible educators (such as counselors and principals) can deduct above the line up to \$250 of qualified expenses. If you're married filing jointly and both you and your spouse are educators, you can deduct up to \$500 of unreimbursed expenses — but not more than \$250 each.

Qualified expenses include amounts paid or incurred during the tax year 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, the costs of supplies are qualified expenses only if related to athletics.

More details

Some additional rules apply to the educator expense deduction. If you're an educator or know one who might be interested in this tax break, please contact us for more details.

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