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## **SCHOOL TIME! -- Deductions and Credits Available?**

It is Back-to-School time and maybe time for a tax break, too. Whether you are paying for a college education or a teacher buying items for your classroom, education credits and deductions can help lower your tax bill.

The **Hope Credit**, **Lifetime Learning Credit** or the **Tuition and Fees Deduction** may help offset the cost of higher education for you, your spouse and your dependents (subject to certain income limitations).

Are you paying **Student Loan interest**? You may be able to deduct up to \$2,500 from your income per tax return. Student Loan interest may be deducted even while your student is in school if you are paying the interest immediately rather than deferring the payments. Deductibility is subject to certain income limitations.

Students and parents of students are not the only ones who can claim a Back-to-School tax benefit. As summer comes to an end, many teachers and other eligible educators are preparing for the start of the new school year. That preparation could include purchasing items for the classroom from personal funds. Be sure to keep your receipts. These out-of-pocket classroom expenses can be deductible as an itemized deduction subject to 2% of your adjusted gross income.

Also keep in mind as an educator, you may be able to deduct up to \$250 as an **Educator expense deduction** regardless of whether you itemize your deductions or not. This deduction would apply for expenses paid for the purchase of books, computer equipment and classroom supplies. If you and your spouse are filing a joint return and both are eligible educators, the maximum deduction is \$500. Although Congress has not extended this option through 2007 at this point, they have made extensions in the past at the last minute. Our recommendation is to keep the records so you are prepared to take the opportunity to maximize your tax savings with this tax saving tool.

If you have questions, please feel free to contact Lori Aliberti, or the PFS tax preparer with whom you work.