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The Expiration of Tax Deductions for Teacher Expenses

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To Whom it May Concern:

After carefully researching IRC (sec. 62(a)(2)(D), which offers a deduction for qualified teacher expenses, it appears that its expiration should be reconsidered. I am currently an undergraduate student at Providence College, and as part of Tax Class we have spent much time researching the deduction and the impact of its expiration, as well as interviewing stakeholders. All of my findings (please see below) suggest that the expiration of Sec. 62 (a)(2)(D) will be detrimental to all involved in the American education system, teachers and students alike.

The above the line deduction for $250 per taxpayer, is currently available for educators and instructors for grades kindergarten through twelfth in primary and secondary schools meeting state law, for regular teaching expenses. In the past several years, there have been a number of budget cuts for educational institutions and programs in the United States, an estimated three billion dollars will be cut from the federal budget in the upcoming fiscal year alone. Because of budget cuts in the classroom, teachers now find it increasingly necessary to use their own money for educational expenses.

A survey conducted during the 2009-2010 school year by the National School Supply and Equipment Association found that on the average teacher spent approximately $356 of their own money on supplies for their classroom. The expiration of this deduction is likely to deter teachers from financially investing in their lessons, which will therefore negatively impact students in the American education system as well as qualified educators. It is difficult to expect teachers to be able to do more with less, and the expiration of this deduction coinciding with education budget cuts will do just that.

Therefore, the expiration of the deduction for qualified teaching expenses should not only be reconsidered, the deduction itself should be increased. As the expectations for students on standardized testing rises, it is only reasonable that teachers be able to teach their students to the best of their ability.

Sincerely,

Erin O’Grady

Background on IRC (sec. 62(a)(2)(D)

Eligible teachers are able to deduct up to $250 of unreimbursed teaching supplies such as books, supplies, and computer equipment including software (but not athletic, health education, or homeschooling equipment). This exemption will only apply to tax returns up until 2013; from 2014 onward teachers will be required to list such costs as miscellaneous itemized deductions which will be subject to the two-percent-of-adjusted-gross-income floor. Currently, eligible educators are defined as teachers who work as an instructor, teacher, aid, principal, or counselor for kindergarten through twelfth grade for 900 hours during a school year at an institution that provides primary or secondary education as determined under that particular state's law. The expenses to be exempt must also be considered necessary and ordinary in nature. Teachers filing a joint return are permitted a $500 exemption but neither individual can exceed the $250 ceiling.

Implications of the expiration of Sec. 62 (a)(2)(D)

The expiration of the Taxpayer Relief Act of 2011 has been projected to result in an average tax increase of $3,700 for middle income families. More specifically, the end of deduction IRC (sec. 62 (a) (2) (D)) will primarily affect any qualified educator, which includes all teachers, instructors, and school administrators involved in the education of students in kindergarten through high school. The $250 adjustment to gross income is currently in addition to the deduction of miscellaneous business expenses subject to the 2% of AGI floor. This deduction is likely to be sorely missed since its expiration coincides with Federal Government Budget Cuts, reducing the outlay for education expenses from $121.1 billion in 2012 to $118.1 billion in 2013. The end of the benefits of the Taxpayer Relief Act of 2011 in conjunction with reductions to the education budget will most likely result in more teachers paying classroom expenses out of pocket. According to the National Center for Education Statistics, in 2011 there were 3.7 million full-time-equivalent elementary and secondary school teachers (in addition to 0.4 million private school teachers) with an average salary of $56,069, and the IRS reports that the deduction for teacher's expenses is used by 3.6 million of those teachers. At a time when teachers are arguably underpaid and undersupplied, it seems unfair that their taxes should increase. Primary education teacher, Cristina D, and tax professional Samuel P shed light on the issue and implications of the end of the deduction for the educator expenses.

Cristina, an ESL (English as a Second Language) teacher for grades one through six at Oceanside School Number 3, in Oceanside, New York, is against the end of the deduction. Cristina currently takes the standard deduction, and in the past has been able to enjoy the $250 adjustment, but the end of this adjustment to gross income will make itemizing necessary for her future tax returns. Currently, Cristina brings supplies to the students to aid her lessons, and she believes that if she can't take the adjustment it will make it difficult to bring the supplies necessary, therefore depriving her students of the added benefit of outside resources. During the interview with Cristina, she stated "the department of education is of the mentality that less is more," as demonstrated by the federal budget cuts. She also said "the department of education has such high standards for students while at the same time decreasing teachers' supplies that is decreasing our resources, and the students' resources at that." Overall, although Cristina did not believe the deduction would impact her ability to teach, she did think it would be depriving her students of added benefits which can "bring the lesson to life."

I also had the opportunity to speak with Samuel P, a Senior CPA, specializing in tax at WeiserMazars LLP. Samuel expects that with an average blended tax rate the average increase in taxes from the loss of this adjustment will only be about fifty dollars on average. Although this is not a drastic increase he also anticipates that without the $250 deduction there will be less of an incentive for teachers to itemize and educators "would be less likely to track other expenses and this would preclude them from taking the applicable deduction they are entitled to on schedule A." Samuel also addressed the effects the loss of the adjustment would have on those who take an itemized deduction, such as his sister and her husband. Samuel explained that since his sister and their family itemize all of their expenses, the money she spends for supplies in her classroom is likely to be phased out by the 2% floor. Therefore both Cristina and Samuel were opposed to the expiration of IRC sec. 62 (a) (2) (D).

Alternatively, it can be debated that the $250 would only account for an average of 0.4% of a teacher's salary, and would therefore only result in a slight increase in tax liability. It should also be noted that some might view the deduction as unfair, since it cannot be used by part-time or substitute teachers as well as educators involved in higher education or schools that are not recognized by the state. Another point that could be argued is that it is not always a necessity for teachers to purchase additional resources with their own income. Although arguments can be made for and against the deduction, those in favor of the expiration of the Taxpayer Relief Act and the deduction for teaching expenses are far and few, and the primary stakeholders, educators, are obviously in opposition to the expiration of the adjustment.

<u>Summarization of Interview with Cristina D.- primary school teacher</u> March 23, 2013

1. What school do you currently work at/what grade?
   a. Oceanside School #3, grades 1 through 6 (New York)
2. Do you currently take the deduction?
   a. yes
3. What are your feelings on the loss of this deduction
   a. Doesn't like it, she's single and can't take the 250 deduction even though she doesn't itemize and she has in the past, estimated figures 100 was related to necessary supplies to the students
4. Will losing the deduction affect your spending for class room supplies?
5. Do you feel that this deduction will affect your ability to teach?
   a. Would be doing the disservice to the student, won't be able to supplement the lesson which brings the lesson to life for the students. it will affect the structure of the lesson, not dramatically. Teaching is not dependent on supplies but it enhances it. If she were to deprive her students of certain supplies it would alter the overall feel of the lesson.

b. She brings students supplies which aid the lesson, if she can't take the adjustment and need to stop buying supplies she would depriving the lessons of this added benefit. Department of education is of the mentality that lesson is more, they demand less teachers to teach more students. the dept of education has such high standards for students while at the same time decreasing teachers supplies that is decreasing our resources and the students resources at that because it will be cutting back resources-it is such an obstacle for teachers to do more while doing less. They are cutting back on the number of students while the number of students continue to grow – this seems to be

<u>Summarization of Interview with Samuel P. – tax professional</u> March 23, 2013

a. Where do you currently work?
    a. Weisermabars LLP
b. As a tax professional do you frequently see teachers taking this deduction?
    c. Yes, his sister is a teacher and she takes, as well as his fiancé
    d. His sister is married, and her and her husband own a home and itemize deductions however they are barred from taking this on the itemized deduction because the 2% floor phases her out. She can still take the 250 even though she can't take more itemized deductions on schedule A, she would be phased out from taking other employees expenses on schedule A.
c. What tax implications would you expect from this change?
    e. 250 at an average fed blended tax rate of 20% the average increase in taxes will only be about fifty dollar or so.
    f. If there are a lot of teacher, eligible to claim additional expenses on the 2106, but if they didn't think this 250 was a definite they would be less likely to track other expenses and this would preclude them from taking the applicable deduction they are entitled to on schedule A. There is less of an incentive; it will keep people more organize. If the 250 is done away with they are less likely to keep track of deductions.