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Isaac M. O'Bannon • Aug. 18, 2016



As the final weeks of summer tick away, back-to-school sales are ramping up and it's time to think about getting those kids back in the classroom. It's also a good time to think about a variety of tax breaks and deductions available for qualifying expenses.

To help, [TaxAudit.com](http://TaxAudit.com), which specializes in IRS audit defense, has crafted a list of back-to-school tax tips for 2016.

“Most Americans don't think about taxes when it comes to school, and understanding which school costs are deductible or not deductible can be challenging,” said Dave Du Val, TaxAudit.com's chief customer advocacy officer. “For

example, private school tuition is not deductible, but the child care component of

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the child care component costs of private school tuition for children under 13 may qualify the taxpayer for a tax credit. School uniforms are also not deductible even if they are required.

- **Before and after school care can be deducted**

For a child under the age of 13, the cost of before or after school care may qualify the taxpayer for a tax credit if it is a qualifying expense.

- **Tax deductions for school fundraisers are limited**

You are required to reduce your deduction by the market value of any goods or services received in return for your charitable donation.

- **Moving expenses to go to college are NOT deductible**

Going away to college is not moving for a job and is not considered a moving expense deduction by the IRS. However, the expenses for moving from college for that first job may be eligible for the moving expenses deduction.

- **Earnings in 529 plans are NOT federally taxable**

The earnings in 529 plans are not taxable. The money grows tax-free and withdrawals are not taxable as long as the money is used for eligible college expenses.

- **Use tax-deferred accounts to pay for educational expenses**

You can use tax-deferred accounts (i.e., a Coverdell Educational Savings Account) to pay for qualified educational expenses including books and computers for elementary, high school and college expenses.

- **Student loan interest is deductible above the line**

Student loan interest is generally deductible as an above the line deduction, meaning you do not have to itemize in order to claim the deduction on your federal income tax return. There is a student loan interest deduction of up to \$2,500 for paying interest on a student loan used for higher education. The amount of the student loan interest deduction is gradually reduced if the taxpayer's modified adjusted gross income is within a certain range.

- **American Opportunity Credit (AOC)**

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- **Lifetime Learning Credit**

Up to a maximum of \$2,000 credit per year for qualified education expenses paid for a student enrolled in an eligible educational institution. The credit is a nonrefundable credit of 20% of a maximum \$10,000 in qualified education expenses. There is currently no limit on the number of years a taxpayer can claim the credit. Income limits apply. Please keep in mind, this credit does not allow for some of the items that are allowed for the AOC. This credit is generally applied only to tuition and fees.

- **Tuition and Fees Deduction**

The Tuition and Fees Deduction is an above the line adjustment and applies to qualified education expenses for higher education for an eligible student taking undergraduate, graduate or post graduate courses. The deduction gradually phases out after a certain income range. There is no limit to the number of years the deduction can be claimed.

- **Roth IRA**

Remember, up to \$5,500 of the income earned from summer and/or after school employment by the student can be contributed to a Roth IRA, which will grow tax-free. The earnings are taxable and subject to a penalty *only* if withdrawn before the age of 59 1/2.

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