

2006 Extenders Act - Deduction for Higher Education

The popular above-the-line higher education tuition deduction that expired at the end of 2005 has been extended through 2007 by the Tax Relief and Health Care Act of 2006. Since you have reported higher education expenses in the past or have dependents who are of college age, you may be interested to learn that this deduction is still available.

As an above-the-line deduction, the deduction for qualified tuition and related expenses can be taken even if you do not itemize deductions, and it is not subject to the two-percent floor or the overall limitation on itemized deductions. However, the amount of the deduction is limited depending on your adjusted gross income and the tax year in which the deduction is claimed.

For 2006, a \$4,000 above-the-line education deduction is available to single taxpayers with adjusted gross incomes (AGI) of \$65,000 or less (\$130,000 for joint filers). A \$2,000 above-the-line education deduction is available to single taxpayers with adjusted gross incomes up to \$80,000 (\$160,000 for joint filers). These are the same levels set for the deduction as in 2004 and 2005.

Qualified tuition and related expenses are tuition and fees required for the enrollment or attendance of you, your spouse, or any dependent at an eligible educational institution for courses of instruction. Generally, any accredited public, nonprofit, or proprietary post-secondary institution is an eligible educational institution.

Depending on the school's deadline for payment, you may want to consider delaying or accelerating your deduction by paying tuition and fees for the spring semester before or after the end of the year. We can help you plan for the maximum tax advantage. Please call our office at your earliest convenience to discuss your options.