

**DESCRIPTION OF H.R. 2940,
THE “EDUCATOR TAX RELIEF ACT OF 2015”**

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
on September 17, 2015

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup of H.R. 2940, the “Educator Tax Relief Act of 2015,” on September 17, 2015. This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 2940, the “Educator Tax Relief Act of 2015”* (JCX-116-15), September 16, 2015. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

A. Above-the-Line Deduction for Certain Expenses of Elementary and Secondary School Teachers Modified and Made Permanent

Present Law

In general, ordinary and necessary business expenses are deductible. However, unreimbursed employee business expenses generally are deductible only as an itemized deduction and only to the extent that the individual's total miscellaneous deductions (including employee business expenses) exceed two percent of adjusted gross income. An individual's otherwise allowable itemized deductions may be further limited by the overall limitation on itemized deductions, which reduces itemized deductions for taxpayers with adjusted gross income in excess of a threshold amount. In addition, miscellaneous itemized deductions are not allowable under the alternative minimum tax.

Certain expenses of eligible educators are allowed as an above-the-line deduction. Specifically, for taxable years beginning prior to January 1, 2015, an above-the-line deduction is allowed for up to \$250 annually of expenses paid or incurred by an eligible educator for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.² To be eligible for this deduction, the expenses must be otherwise deductible under section 162 as a trade or business expense. A deduction is allowed only to the extent the amount of expenses exceeds the amount excludable from income under section 135 (relating to education savings bonds), section 529(c)(1) (relating to qualified tuition programs), and section 530(d)(2) (relating to Coverdell education savings accounts).

An eligible educator is a kindergarten through grade twelve teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year. A school means any school that provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

The above-the-line deduction for eligible educators is not allowed for taxable years beginning after December 31, 2014.

Description of Proposal

The proposal makes the deduction for eligible educator expenses permanent. The proposal indexes the \$250 maximum deduction amount for inflation, and provides that expenses for professional development shall also be considered eligible expenses for purposes of the deduction. The proposal also makes a technical amendment to clarify the definition of eligible educator.

² Sec. 62(a)(2)(D). Except where otherwise provided, all section references are to the Internal Revenue Code of 1986, as amended (the "Code").

Effective Date

The proposal generally applies to taxable years beginning after December 31, 2014. The proposal clarifying the definition of eligible educator applies to taxable years beginning after December 31, 2001.

B. Estimated Revenue Effects

Fiscal Years											
[Millions of Dollars]											
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2016-20</u>	<u>2016-25</u>
-255	-225	-229	-239	-241	-244	-249	-256	-268	-270	-1,189	-2,475

NOTE: Details do not add to totals due to rounding.