Medical and Education Deductions

AGI = Adjusted Gross Income

It's a key number on your tax return (Form 1040).

👉 Definition:
Your AGI is your gross income (all income you earned — wages, self-employment income, dividends, interest, retirement distributions, rental income, etc.) minus certain "above-the-line" adjustments, like contributions to a traditional IRA, student loan interest, self-employed health insurance premiums, and HSA contributions.

Why it matters for medical deductions

- You can deduct unreimbursed medical and dental expenses on Schedule A (Itemized Deductions) only if they are more than 7.5% of your AGI.
- Example:
  - If your AGI is $60,000, then 7.5% = $4,500.
  - If you have $8,000 in qualifying medical bills, only the portion above $4,500 (so, $3,500) is deductible.

Quick Reference

- AGI is found near the bottom of page 1 of Form 1040 (line 11 for 2023).
- It's different from gross income (before deductions) and taxable income (after standard/itemized deductions).

You generally can deduct business-related education expenses for a home-based business, but there are some important IRS rules that determine if it qualifies.

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✅ Deductible Education (Schedule C – Business Expense)

Education is deductible if it meets either of these tests:

1. Maintains or improves skills you need in your existing business.
   - Example: You run a travel agency and take a course on advanced travel booking platforms, social media marketing for travel, or group tour management.
2. Required by law or regulations to keep your current license or status.
   - Example: State continuing education for a professional travel certification.

👉 These expenses can include:

- Course tuition, fees, and books.
- Online courses, webinars, or seminars.
- Travel costs if attending an out-of-town conference (airfare, lodging, 50% of meals).

❌ Non-Deductible Education

Education is not deductible if it:

- Qualifies you for a new trade or business (e.g., you're a travel agent but you go back to school for nursing).
- Meets the minimum requirements of your trade or business (e.g., training that qualifies you for your very first travel license).

📌 Example for a Home-Based Travel Business

- Deductible:
  - Attending a CLIA (Cruise Lines International Association) seminar to sharpen your cruise-selling skills.
  - Taking a marketing class to improve your ability to attract clients.

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- Not deductible:
    - Paying for a degree in hospitality management if you don't already have an established business in that area.

Where It Goes on Taxes

- If deductible, you report education costs as an "Other Expenses" line item on Schedule C (Profit or Loss from Business).
- Keep receipts, invoices, and proof of business connection.

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