

## TAX DEDUCTION INFO

### Can I deduct the tuition and other expenses I pay for my child to attend Waterfall Canyon Academy?

Generally. The answer is probably yes, at least to the extent these expenses, plus other non reimbursed medical expenses, exceed 7.5% of your adjusted gross income.

The reason we say “probably” yes, is because we are not tax advisors, and therefore you should not rely only on our advice. Instead, **please give the information we provide below to your tax advisor** so they may assist you in making the proper deduction.

Under the Internal Revenue Code (Section 213(a) to be exact), you are allowed a deduction for your unreimbursed medical care expenses, as well as the unreimbursed medical care expenses of your spouse and dependents. The deduction is limited, however, to only those expenses that exceed 7.5% of your adjusted gross income. In other words, if you have adjusted gross income of \$100,000, you may only deduct medical expenses that in the aggregate exceed \$7,500.

### Criteria to Qualify as a Medical Care Expense

In order for the tuition and other expenses to qualify as a deductible medical expense, the following two criteria must be met:

- (1) *Waterfall Canyon Academy must be a special school that has as its primary purpose to enable students to compensate for or overcome disabilities, to prepare them for normal education or normal living; and*
- (2) *Your child's condition must be such that the resources at Waterfall Canyon Academy for alleviating mental or physical disabilities are the principal reason for your child's presence there.*

**We believe that in most cases, both items are met.** Waterfall Canyon Academy provides quality special education for your child, **along with special therapy and other services we provide** to enable your child to compensate for or overcome disabilities, and to prepare him or her for normal education or normal living. Therefore, the ordinary education should not prevent you from qualifying for the medical expense deduction.

**The second item we believe is met with most of our students.** However, the IRS will use a facts and circumstances test, so it's difficult to obtain a definite answer in each case.

Specific examples where the Courts have ruled that enrollment in a special school qualified for the medical expense deduction include:

- (1) enrollment of a child who did not cooperate in school and was often physically sick, apparently as a result of parents divorce and father's suicide (Griesdorf, Lawrence, (1970) 54 TC 1684); and
- (2) 17 year old child with severe behavioral problems as a result of habitual drug use who enrolled in a college-preparatory school to address the educational and emotional needs of its students (Urbauer, Charles, (1992) TC Memo 1992-170).

### If Criteria Are Met, What is Deductible?

Assuming the criteria above are met, **then the entire tuition (including amounts for lodging and food) and expenses for transportation to and from Waterfall Canyon Academy qualify as a medical care expense.** Telephone expenses for calls to and from Waterfall Canyon Academy may also qualify (again, please consult with your tax advisor)

### Resources to provide your Tax Advisor

The following is a list of sources that you may wish to review or provide to your tax advisor:

Internal Revenue Code Section 213(a)

Treasury Regulation Section 1.123-1(e)

Revenue Ruling 70-285

Private Letter Ruling 8447014

Court Cases: Griesdorf, Lawrence, (1970) 54 TC 1684;

Pazos, Jose, (1987) TC Memo 1987-131;

Urbauer, Charles, (1992) TC Memo 1992-170



To: Whom it may concern

From: Waterfall Canyon Academy

RE: Possible Tax Deductions

Waterfall Canyon Academy serves adolescent boys and girls with learning disabilities as its primary purpose. The students have also been diagnosed and recommended to our school due to mental health issues interfering with their education. We assist students to overcome their disabilities and prepare them to be independent and return to their home school for normal living.

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Cordially,

Waterfall Canyon Academy