

## Distance Learning on the High Seas

Technology has certainly changed the way we do business! It has also drastically changed learning. I have taught many e-learning classes where I never come in contact with the students. This is daunting to say the least. As an instructor this poses new challenges. “How do I get my point across without being in a classroom?” This is similar to the time tested exercise – “write down instructions on how to tie a shoe lace” I’m standing by the bunny ears approach...

E-Learning has opened up many avenues that were not available to professionals in years past. People don’t have to lose valuable time commuting to a class room. More importantly, people in areas without higher learning institutions can pursue their educational goals. Hopefully it will only be a matter of time before E-Learning becomes an integral part of the maritime community.

This topic was actually spurred by a client who was taking classes while working for NCL. Cruise ships already have internet access that meets or exceeds the E-learning minimum requirements. Will commercial companies improve the E environment for crew members? Can we find learning institutions that will work with mariners; realizing that they have some unique circumstances? I hope so.

I would also think that improved E-Learning on vessels would be a great asset for many of the maritime unions. Imagine if MEBA members could meet their Sea Land class requirements while sailing. What if instructors could maintain classes when they shipped out? What about STCW requirements, lifeboatman classes, PIC classroom material, Chief Mate required classes? I would think the Maritime Academy or school who took the next step in integrating the classroom and vessel would become an educational leader in this age of technological reform. The possibilities are endless. Hopefully the right people will sit down and decide to make it happen.

Until then, there are still several tax avenues that open up when we pursue higher education. We generally put education into two separate categories. First is education to maintain. Second is education to improve.

Education to maintain is exactly how it reads. It is education that does not qualify you for a new trade or business. License/certification classes are one of the most common forms of education to maintain in our industry. Any courses required by your vessel or industry to ship out would qualify. A ships’ officer could most likely justify MBA or MS specific classes as education to maintain.

Education to maintain is often preferable, especially for individuals who have already met the 2% employee business deduction burden and are already itemized on their schedule A. Qualifying educational expenses become a dollar for dollar employee business deduction. In that case, you don’t pay any Federal tax on the money you spent on education.

There are several but's and if's associated with education to maintain. First is meeting the tests to qualify the education as an employee business deduction. Another is the tax effect you will recognize. If you haven't planned and structured income accordingly, these deductions can be lost to the AMT and other mid/high income pitfalls. An integrated tax plan would advocate incurring educational expenses in a non-AMT year to maximize their effect. Many clients accomplish this by taking a trip off and focusing full time on school. This reduces their AMT triggers and lets them recognize the full benefit of their deductions.

The average client will recognize somewhere in the vicinity of twenty five cents per dollar spent. So \$5,000 in educational expenses would translate into an additional \$1,250 in refund money. Obviously this isn't a certainty. You should review your own tax plan to see what benefits you would recognize.

The second type of educational expense discussed is education to improve. This is a literal association. Any type of education that qualifies you for a new trade or business is education to improve. A bachelor's degree is the most common type of education to improve. A law degree would also qualify you for a new trade or business. These types of educational expenses face higher restrictions in how they can be deducted.

The associated tax deductions with education to improve are the tuition deduction, the hope credit, and the lifetime credit.

The tuition deduction allows a \$4,000 deduction for AGI. Even if you spend \$20,000 your maximum deduction is \$4,000. The biggest benefit of this deduction is that it has a higher phase out range; you can have a higher income and still recognize this benefit as opposed to the lifetime and hope credits.

The hope credit is only permitted the first two years of an undergraduate students' education. The Hope Credit is a generous tax credit of \$1,650 for the first \$2,200 in fees. It is phased out more aggressively than the tuition deduction.

The Lifetime Credit is available for twenty percent of expenses up to \$2,000. It is the most common of the education credits recognized by clients. It also has an aggressive phase out range. Both the Hope and Lifetime credits can be lost well before you are subjected to Alt Min.

The big difference between education to maintain and education to improve are the associated limitations. If your expenses qualify as education to maintain the deductible amount can be possibly limitless.

The point is to plan these expenses so you can recognize all of the associated benefits available. In this day and age we need every break we can get!

