

## **TAX BENEFIT FOR HOSTING A FOREIGN EXCHANGE STUDENT**

Under certain conditions, a taxpayer who hosts a foreign exchange student can deduct from his federal income tax as a charitable contribution up to \$50 in qualifying expenses per month for maintaining the student (IRC § 170(g)). The student:

1. must be in the 12<sup>th</sup> or a lower grade at a U.S. school and must attend school full-time,
2. must live in the taxpayer's home under a written agreement between the taxpayer and a "qualified organization" (see below) as part of the organization's program to provide the student with educational opportunities, and
3. cannot be the taxpayer's dependent or relative.

The deduction is available only to exchange student arrangements made through an organization that qualifies as a (1) nonprofit community chest, corporation, trust, fund, or foundation operated solely for religious, charitable, educational, scientific, or literary purposes or to prevent cruelty to animals or children or foster national or international amateur sports competition; (2) war veterans' organization; or (3) domestic fraternal society.

Deductible expenses include the cost of books, tuition, food, clothing, transportation, medical and dental care, entertainment, and other amounts actually spent for the student's well-being. Depreciation on the taxpayer's home; the fair market value of lodging; and general household expenses, such as taxes, insurance, and repairs, are not deductible. A host receiving reimbursement for any part of the cost of having the student live with him is ineligible for the deduction, as is a host participating in a mutual exchange program under which he hosts a student in return for the host's child living with a family in a foreign country.

Full details of the foreign exchange student deduction are available in [IRS Publication 526, Charitable Contributions.](#)

**IRS Publication 526 (Here's the exact excerpt from that source):**

**Expenses Paid for Student Living With You** You may be able to deduct some expenses of having a student live with you. You can deduct qualifying expenses for a foreign or American student who: 1. Lives in your home under a written agreement between you and a qualified organization (defined later) as part of a program of the organization to provide educational opportunities for the student, 2. Isn't your relative (defined later) or dependent (also defined later), and 3. Is a full-time student in the twelfth or any lower grade at a school in the United States.

You can deduct up to \$50 a month for each full calendar month the student lives with you. Any month when conditions (1) through (3) are met for 15 or more days counts as a full month. Qualified organization. For these purposes, a qualified organization can be any of the organizations described earlier under Types of Qualified Organizations, except those in (4) and (5). For example, if you are providing a home for a student as part of a state or local government program, you can't deduct your expenses as charitable contributions. But see Foster parents under Out-of-Pocket Expenses in Giving Services, later, if you provide the home as a foster parent. Relative. The term "relative" means any of the following persons. Your child, stepchild, foster child, or a descendant of any

of them (for example, your grandchild). A legally adopted child is considered your child. Your brother, sister, half brother, half sister, stepbrother, or stepsister. Your father, mother, grandparent, or other direct ancestor.

Your stepfather or stepmother. A son or daughter of your brother or sister. A brother or sister of your father or mother. Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

**Dependent.** For this purpose, the term “dependent” means: 1. A person you can claim as a dependent, or 2. A person you could have claimed as a dependent except that: a. He or she received gross income of \$4,000 or more, b. He or she filed a joint return, or c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2015 return. Foreign students brought to this country under a qualified international education exchange program and placed in American homes for a temporary period generally aren't U.S. residents and can't be claimed as dependents.

**Qualifying expenses.** You may be able to deduct the cost of books, tuition, food, clothing, transportation, medical and dental care, entertainment, and other amounts you actually spend for the well-being of the student.

**Expenses that don't qualify.** You can't deduct depreciation on your home, the fair market value of lodging, and similar items not considered amounts actually spent by you. Nor can you deduct general

household expenses, such as taxes, insurance, and repairs.

**Reimbursed expenses.** In most cases, you can't claim a charitable contribution deduction if you are compensated or reimbursed for any part of the costs of having a student live with you. However, you may be able to claim a charitable contribution deduction for the unreimbursed portion of your expenses if you are reimbursed only for an extraordinary or one-time item, such as a hospital bill or vacation trip, you paid in advance at the request of the student's parents or the sponsoring organization.

**Mutual exchange program.** You can't deduct the costs of a foreign student living in your home under a mutual exchange program through which your child will live with a family in a foreign country.