

Higher Education Tax Benefits

- The current higher education tax benefits help both our institutions and our students. Students and families can utilize these benefits throughout the life of their education – from saving for college, to paying for college, to paying back student loans. Please help ensure that the benefits do not expire.

Expiring December 31, 2011 (end of this year)

- The IRA Charitable Rollover allows individuals 70½ and older to contribute up to \$100,000 annually to the charity of their choice – including colleges and universities – from their IRA without tax penalties. This is a key fundraising tool of our institutions and helps us control costs.
- The Tuition Deduction allows a tax deduction for qualified education expenses between \$2,000 and \$4,000 depending on income restrictions. This is a key benefit for our middle class families.
- *Senator Charles Schumer (D-NY) is about to introduce legislation that will consolidate several current higher education benefits into one super-credit, and make that credit permanent. If this bill becomes law, it would negate the need for the tuition deduction. While we strongly support this effort, in the absence of a permanent higher education tax benefit, we must continue to advocate for the extension of the deduction.*

Expiring December 31, 2012 (next year)

- The American Opportunity Tax Credit (AOTC) allows a tax credit of \$2,500 for qualified education expenses for individuals earning up to \$80,000 (single) and \$160,000 (married/joint). The credit is 40% refundable for individuals in the lowest income ranges. This is the most generous tax benefit available to students.
- *Senator Charles Schumer (D-NY) will soon introduce legislation to expand the AOTC, make it permanent, and consolidate several current benefits. We strongly support this effort, but support extending the current AOTC if Congress is unable to pass a permanent provision.*
- Section 127 (employer-provided education assistance) allows employees to receive up to \$5,250 in educational assistance from their employer for graduate or undergraduate course work. Amounts are not taxable to the employee or employer. This benefit is critical to global competitiveness as research shows that the students in the science, technology, education, and mathematics (STEM) fields are the primary beneficiaries of this important education assistance.
- Coverdell education savings accounts (ESAs) allow for \$2,000 annually in tax-free college savings. If this expires, it will revert back to the pre-2001 level of \$500 annually. We should not be discouraging saving for college by letting this lapse.