



IowaCollegeAid.gov
Your Financial Aid Connection

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NEWS RELEASE

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Many Families Fail to Claim Higher Education Tax Benefits *Tax Credit and Deduction Programs Can Cut the Cost of College – if Claimed*

Des Moines, IA, February 11, 2013 – The Iowa College Student Aid Commission (Iowa College Aid) would like to remind Iowa families paying college costs or repaying federal student loans to take advantage of federal higher education tax benefits to reduce their tax obligations. Eligible students and families can save thousands of dollars by taking advantage of tax credits which reduce federal income taxes owed, and deductions which reduce a taxpayer’s taxable income. However, according to the U.S. Government Accountability Office, 14 percent, or roughly 1.5 million tax filers in 2009 (the most recent data available) failed to claim a credit or deduction for which they were eligible.

“Tax filers left behind nearly \$800 million worth of higher education tax benefits in 2009, an average of \$466 per person,” stated Karen Misjak, executive director of Iowa College Aid. “We want to make sure that Iowans are aware of the money-saving tax benefits for students and families who paid college expenses last year,” said Misjak. “Iowa College Aid encourages all Iowa families who incurred higher education expenses during 2012 to explore the tax credits and deductions available.”

Available higher education tax benefits for the 2012 tax year include:

American Opportunity Tax Credit. This credit is available to a broad range of taxpayers, including many with higher incomes and those who owe no tax. Many of those eligible qualify for the maximum annual credit of \$2,500 per student for out-of-pocket educational expenses including, tuition, fees and required course material. Up to \$1,000 of the credit is refundable if the credit is more than the amount of taxes owed. This credit, which reduces the amount of income tax owed, can be used annually for the first four years of undergraduate postsecondary education.

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Lifetime Learning Credit. This credit allows taxpayers to reduce their federal income tax by up to \$2,000 for qualified education expenses paid for all students enrolled in eligible educational institutions. Unlike the American Opportunity Tax Credit, the Lifetime Learning Credit is not refundable. This credit can be used annually for all years of postsecondary education and for courses to acquire or improve job skills. Taxpayers cannot claim both a Lifetime Learning Credit and an American Opportunity Credit for the same student in the same year. Only one credit can be claimed, but not both.

Student Loan Interest Deduction. This deduction enables eligible student loan borrowers to reduce their taxable income, up to a maximum of \$2,500, based on the amount of student loan interest paid during the tax year. Student loan interest is interest that was paid during the year on a qualified student loan. It includes both required and voluntary interest payments.

Tuition and Fees Deduction. Tax payers can reduce the amount of their income subject to tax by up to \$4,000 for qualified educational expenses paid in 2012 including tuition, fees, and amounts required to be paid to the educational institution for course-related books, supplies and equipment.

Iowa College Aid recommends students and families consult with a professional tax advisor or the IRS to determine eligibility for the tax benefits. In addition, more information about Iowa College Aid and its products and services that help Iowa families plan, prepare and pay for college can be found at www.IowaCollegeAid.gov.

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About the Iowa College Student Aid Commission

Iowa College Aid provides college access, financial literacy, and outreach services to Iowa's students and families as they prepare, plan and pay for college. Iowa College Aid also administers state scholarship, grant, work study, and loan forgiveness programs totaling nearly \$60.0 million annually, administers the Federal Family Education Loan Program (FFELP) program, provides borrowers with assistance to avoid the serious consequences of default, conducts research and distributes higher education data, and offers Iowans assistance in obtaining student financial aid and college-related information. Through its role, Iowa College Aid also serves as the state-designated administrator of the U.S. Department of Education's College Access Challenge Grant, which is designed to increase the college-going culture in Iowa. Additionally, Iowa College Aid is the administrator of the Federal GEAR UP Grant, a multi-year state-wide grant which is being used to provide early awareness programming and outreach initiatives to thousands of Iowa's students and families. More information is available at www.IowaCollegeAid.gov.