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Your Financial Aid Connection

NEWS RELEASE

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Education Tax Benefits Make College More Affordable for Iowa Families *Tax Credit and Deduction Programs Cut the Cost of College*

Des Moines, IA, January 31, 2010 – Iowa students and families paying college costs or repaying federal student loans may find their investment in education has an unexpected benefit – a reduction in their tax obligation. 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.

“The U.S. Congress recently extended or renewed several money-saving tax benefits for students and families who paid college expenses last year,” says Karen Misjak, Executive Director of the Iowa College Student Aid Commission (Iowa College Aid). “All efforts that help make college more affordable are especially important during these difficult economic times. Iowa College Aid encourages all Iowa families who incurred higher education expenses during 2010 to explore the tax credits and deductions available.”

Available higher education tax benefits for the 2010 tax year include:

American Opportunity Tax Credit. This credit allows taxpayers to reduce their federal income tax by up to \$2,500 per student for out-of-pocket educational expenses including, tuition, fees, eligible books, supplies and equipment. Up to \$1,000 of the credit is refundable if the credit is more than the amount of tax owed. This credit 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 per tax return (not per student) for qualified education expenses, including tuition and fees required for enrollment which can include amounts required to be paid to the educational institution for course-related books, supplies and equipment. 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.

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. For 2010, the maximum modified adjusted gross income (MAGI) for this deduction is \$75,000 for single tax payers and \$150,000 for married couples filing joint returns.

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 2010 including tuition, fees, and amounts required to be paid to the educational institution for course-related books, supplies and equipment. The maximum modified adjusted gross income (MAGI) eligible for this program is \$80,000 for single tax payers or \$160,000 for married tax payers filing jointly.

To help families understand the potential tax benefits, Iowa College Aid offers a free [Higher Education Tax Benefits](#) fact sheet that can be viewed and downloaded at www.IowaCollegeAid.gov. The [Higher Education Tax Benefits](#) fact sheet is intended for educational purposes and should not be considered as legal or tax advice. Iowa College Aid recommends that students and families consult with a professional tax advisor or the IRS to determine eligibility for the tax benefits. For more information about the Iowa College Aid products and services that help Iowa families plan, prepare and pay for college, visit 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 utilized to provide early awareness programming and outreach initiatives to thousands of Iowa's students and families. More information is available at www.IowaCollegeAid.gov.

