

# Tax Tips

## Making The Most Out Of Tax Benefits For College

(NAPSA)—**Can a student loan and tuition bills actually save taxpayers money come April 15?**

Yes. For students and parents who take advantage of certain tax credits and tax deductions for college tuition and other education-related expenses, there could be substantial savings. In some cases, thousands of dollars.

“It is more than worth your time and effort to learn what tax benefits are available for higher education and how you can qualify,” said Martha Holler, Sallie Mae spokesperson. “You’ll find you can send less money to Uncle Sam and have more to put toward college expenses.”

More than 70 percent of people who file a federal tax return, in fact, receive a refund. The average refund in 2004 was \$2,371. For taxpayers with college expenses, the refund this year could be even bigger. Last year, 11 million tax filers got tax credits and deductions for higher education that averaged nearly \$700.

### **Helping Uncle Sam Put Money Back Into Your Pocket**

There are four education-related tax benefits: the Tuition and Fees Tax Deduction, the Student Loan Interest Tax Deduction, the Hope Scholarship Tax Credit and the Lifetime Learning Tax Credit. While the Internal Revenue Service (IRS) has some restrictions on using more than one at a time, the student loan interest deduction can be taken in combination with any other education-related benefit.

Individuals may deduct up to \$2,500 in student loan interest and \$4,000 in tuition and fees, depending on income. The Tuition

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and Fees Deduction is set to expire after this tax year, so it’s important to claim this while it lasts. The Hope Scholarship Tax Credit is a nonrefundable credit of up to \$1,500 for each eligible college freshman and sophomore student in the household. The Lifetime Learning Tax Credit provides up to \$2,000 of tax credit per family for anyone in college.

Several resources can help students and families further understand college-related tax benefits, including Publication 970 from the IRS (<http://www.irs.gov/pub/irs-pdf/p970.pdf>), which provides detailed information on eligibility criteria. Sallie Mae’s [www.CollegeAnswer.com](http://www.CollegeAnswer.com) Web site also offers insight on how to save at tax time on education-related items. In addition, Sallie Mae’s book, “How to Pay for College: A Practical Guide for Families,” devotes an entire chapter on taking advantage of higher education tax benefits and deductions.

“The last thing you want to do, particularly after paying for college, is to pay more in taxes than you have to,” notes Holler.

*This article is one in a series of articles on college preparation and financing from Sallie Mae, the nation’s No. 1 paying-for-college company.*